Series 1

Financing Child Care: Current Arrangements

Prepared as Background Papers for

Report of the Task Force on Child Care

Canada

Status of Women Canada   Condition féminine Canada

Financing Child Care: Current Arrangements

Prepared for

The Task Force on Child Care

Cat. SW43-1/1-1985E
ISBN: 0-662-14403-1

Texte également publié en version française

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FOREWORD

The Task Force on Child Care commissioned a series of research studies designed, for the most part, to provide detailed analyses of selected issues of special relevance to child care and parental leave policies and their effects on the changing Canadian family.

The terms of reference for the Task Force called for an examination and assessment of the need for child care services and paid parental leave in Canada, and of the adequacy of the current system in meeting the perceived needs. Most of the research reports, therefore, were designed to pull together and analyze information from existing sources. However, in a number of instances, it was necessary to initiate primary research because of the absence of data in the area. Parents' Needs, Preferences, and Concerns About Child Care: Case Studies of 336 Canadian Families, and The Bottom Line: Wages and Working Conditions of Workers in the Formal Day Care Market are two such studies.

While these studies incorporate a wealth of useful information, which provided the Task Force with the basis on which to develop its arguments and recommendations, they are reflective of the views of the authors, and should not be interpreted as representing the views of the Task Force. Furthermore, the studies do not reflect the policy or the intentions of the Government of Canada.

Status of Women Canada makes these research reports available to groups, organizations and individuals wishing to explore in greater depth the Task Force report and issues relating to child care and parental leave. This reflects the department's objective of providing a broad basis for public discussion of issues relating to the equality of women in Canadian society.

Other papers published in this series are listed at the back of this publication. Copies of these papers are available by writing to:

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FINANCING CHILD CARE THROUGH THE CANADA ASSISTANCE PLAN

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Prepared for:

The Task Force on Child Care

March, 1985

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1.0 INTRODUCTION

Whether or not the Canada Assistance Plan (CAP) is an appropriate way to finance child care has been an issue ever since the plan was established nearly twenty years ago. The 1966 Act setting up CAP was directed towards helping those in need, with the ultimate objective of preventing and removing the causes of poverty. The aim was to allow the federal government to share more fully with the provinces in the costs of social services.

Child care was not a major issue in those days. Only 26% of married women in the prime childbearing years (25-34) were in the labour force.[1] Even so, the Royal Commission on the Status of Women, which reported in 1970, had serious reservations about the funding of child care through CAP. "We believe the Canada Assistance Plan is inappropriate because it is limited to welfare measures," said the Royal Commission,[2] "...a day care centre program must be conceived on much broader lines. It must be designed for all families who need it and wish to use it."

The concerns expressed by the Royal Commission in 1970 are being voiced much more vehemently today, when adequate child care has become a matter of urgent necessity. In 1984, for instance, 65% of married women in the 25-34-year age group were in the labour force[3] and 52% of all mothers with children under the age of three worked outside their homes.[4]

Estimates by the National Day Care Information Centre indicated that there were just over 139 000 spaces for children in day care centres and family day care across Canada at the end of March 1983.[5] But in that year, 800 000 mothers with preschool children were in the labour force. Close to 460 000 of these women were employed full-time in 1983.[6] Even if we assume that only mothers with full-time jobs required child care services for their children, and that each of these mothers had only one child in need of service, the number of licensed child care spaces would have been enough to serve only 30% of the children needing the service.

The failure to meet the need for child care services in Canada is undoubtedly largely attributable to reliance on CAP as the main vehicle for financing such services. It is clear that the federal and provincial governments originally saw quite a limited role for the plan as a way of funding child care services. In defining "welfare services" the cost of which the federal government would share with the provinces, the 1966 Act describes them as "services having as their object the lessening, removal or prevention of the causes and effects of poverty, child neglect or dependence on public assistance, and, without limiting the generality of the foregoing, includes... homemaker, day care and similar services...."[7] But the 1970 federal White Paper, Income Security For Canadians, pointed out that "...the extension and development of welfare services have not resulted in the level of services required to achieve the objectives of the Plan. This deficiency is particularly marked in respect to day care and homemaker services... access to such services is also needed by other employed people with low incomes.""[8]

A comprehensive review of Canada's social security system was undertaken in the early 1970s, and in 1976, a new Social Services Act was proposed as a replacement for CAP. It would have broadened eligibility criteria, retaining the federal government's 50% contribution to the cost of eligible services. But Quebec and Ontario, as well as a number of federal officials, felt that cost-sharing of social services, a recognized area of provincial jurisdiction, was inappropriate.[9] The Social Services Act was withdrawn and replaced with the Social Services Financing Act, which provided for block funding of social services -- that is instead of sharing 50% of the cost of specific programs, the federal government would allocate a block of funds to the provinces, in accordance with a formula, to be spent as each province wished.

This Act, too, was withdrawn in November 1978, as part of the federal government effort to restrain spending. The end result is that, despite both federal and provincial recognition of the inadequacies of CAP, the original 1966 Plan remains the basis for cost-sharing of provincial social services and assistance programs, including child care, although there were amendments in 1972 to allow for federal sharing in the cost of additional specific expenses, in the case of child care only.

This paper examines the question of funding child care services through CAP. It describes the way in which the cost of child care services is now shared between the federal and provincial governments under CAP; it discusses some of the problems with the current system and the policy issues raised by these problems; it looks at differences between provinces in the way the Plan is used; and it makes some attempt to estimate the number of children served by the current program. Finally, the paper draws some conclusions about the viability of CAP as a way of funding child care services in Canada.

2.0 HOW CHILD CARE IS FUNDED THROUGH CAP

The Canada Assistance Plan allows the federal government to pay 50% of provincial and municipal costs in providing three main types of assistance or service:

- i) social assistance, or "welfare" to persons in need;
- ii) social services to persons in need or likely to become in need if they do not receive such services;
- iii) work activity projects designed to improve the employability of persons who have unusual difficulty in finding and retaining jobs.

Federal involvement in social assistance (or financial assistance to those who have little or no other source of income) under CAP has generally been justified simply on the grounds that the federal government has essential responsibilities in the area of income redistribution.[10] The federal role in social services under CAP has been justified on the grounds that these are services requiring development and federal leadership to co-ordinate provincial policies (and in which a single province may find it difficult to take the initiative).[11] Child care, referred to in the CAP Act as "day

care", for which the federal government pays 50% of the cost, is provided under both the social assistance and the social services sections of CAP. For each of these two sections there are specific criteria and guidelines which are used to establish whether or not a particular program or service is eligible for cost-sharing.

For the general reader, there may be some difficulty in understanding the difference between the two sections because of confusion in terminology. In common parlance, financial assistance, given by provinces or municipalities to those who may have no other source of income, is usually referred to as "welfare." In the CAP Act, such assistance is termed "social assistance." Services such as child care, homemaker services, adoption and rehabilitation services, commonly called "social services," are referred to as "welfare services" under CAP. In the interests of clarity, this paper will adopt the terminology used in the CAP Act.

2.1 Social Assistance

Provinces[12] and municipalities provide social assistance to persons in need for basic requirements such as food, clothing, shelter, fuel, utilities, household supplies and personal requirements, as well as other needs such as certain health care costs, items necessary to carry on a trade, and so on. Such assistance, which usually takes the form of direct financial payments to the persons in need, is cost-shared by the federal government under CAP.

The province may also decide to pay the cost of other extraordinary items required by a person in need, such as a wheelchair or funeral expenses. These, too, come under the cost-sharing provision of CAP.

But, in addition to the basic social assistance cheque, there are four services, prescribed by regulation under the Act, which the province may provide to a person in need as a form of assistance. These, too, are cost-shared with the federal government. The four services are:

i) rehabilitation services;
ii) day care;
iii) homemaker services;
iv) counselling.

These services are referred to as "prescribed services" because they are prescribed by regulation. But for the purposes of CAP, they are considered a form of social assistance given to persons in need.

Persons are "in need" under CAP when, regardless of the cause of their need, they are unable to provide adequately for themselves and/or their dependents.

Eligibility is based on a needs test established by the province, which takes into account the applicant's budgetary requirements and the income and resources available to meet those requirements. Federal guidelines set out the general criteria to be used.

It should be noted that a province may use a more stringent needs test to determine eligibility for social assistance than it uses to determine eligibility for one of the prescribed services. For example, in Ontario, there is a limit on various items such as rent in determining the budgetary requirements of a person applying for Family Benefits Allowance or General Welfare Assistance. In assessing whether or not the person's income and resources are sufficient to meet the budgetary requirements, only expenses up to the various limits are included.

However, the needs test used to determine eligibility for child care services, for instance, includes the full cost of rent paid, as well as items such as debt repayment and the cost of the child care service itself. If the applicant's income and assets are insufficient to meet these costs, she or he may qualify for assistance. As a result of these differences, persons receiving child care services because they are in need will not necessarily be persons on social assistance.

Generally speaking, a family would be allowed to retain a certain amount of money in a bank account and still qualify as being "in need." And, in most provinces, ownership of the home in which the family resides, or of a car, household furnishings and so on, would not disqualify a family from receiving assistance. Other assets may have to be sold, if the family is to qualify for assistance. For example, a federal guideline on exemptions for liquid assets (bank accounts, investments, etc.) suggests that individuals with life insurance policies for more than $2 500 might be required to make use of the cash surrender value of these policies "where they have clearly been purchased shortly before the application for assistance."13

In determining the budgetary requirements of the applicant, allowance is made, where appropriate, for reasonable additional expenses related to work, education or rehabilitation, for other expenses over which the family has no control, and — in many provinces — for the cost of the child care services the family needs. Assessments of both assets and income are adjusted according to the number of persons in the family.

Having established that the family (or the individual) is in need, the province may decide to give the money to the applicant (by increasing the amount of the assistance cheque) so that she/he can buy the child care service, or it may decide to purchase the service on behalf of the applicant. For instance, the province may arrange for the supplier of the child care service to bill the province directly for the service provided to the individual or family.

Whether the child care is purchased by the province, or whether the province assists the individual or family to purchase it directly, the cost incurred by the province will be shared by the federal government, assuming the applicant meets all the eligibility criteria. One further provision requires that if the province decides to purchase the service itself on behalf of a person in need, it must be authorized to do so under appropriate provincial legislation. For example, the Ontario government is authorized to purchase child care under the Ontario Day Nurseries Act, which also defines what needs test must be used to determine for whom the provincial government may purchase the services.

For those who meet the needs test, a province may decide to provide fully-subsidized child care (as Ontario does) or it may limit its subsidy to a particular daily amount for each child. If this option is chosen, the parent is expected to make up the difference, if any, between the subsidy and the actual cost of the service.

Effectively there is no limit on the amount of the payment the federal government is willing to share for child care services provided under the social assistance provisions of CAP. Whatever the province is willing to pay, whether the services are provided in a commercial child care centre or a non-profit agency, and whether the service is licensed or non-licensed, 50% of the cost will be borne by the federal government. According to the CAP regulations, if the service is provided through a non-governmental agency, whether it is commercial or non-profit, the cost shared is based on the actual fee charged. However, if a provincial or municipal agency actually provides the service (for example, through a municipal child care centre) the fees charged may not exceed the actual cost of providing the service, to be eligible for cost-sharing under CAP.

The distinguishing feature of cost-sharing arrangements under the social assistance provisions of CAP is that what is cost-shared is the amount paid for the service by the provincial or municipal government to or on behalf of the individual person in need. In contrast, cost-sharing under the welfare services provisions of CAP is applied to the costs incurred by agencies providing the service, and only specific costs are subject to sharing.

2.2 Welfare Services

The welfare services provisions of CAP differ from the social assistance provisions in two important respects:

- contributions are made towards agency costs rather than for costs incurred by individuals or families;
- the services are eligible for cost-sharing if they are provided to persons in need, or persons who are likely to be in need if they do not receive the service.

The philosophical basis for this part of CAP was the objective, set out in the Act, of preventing and removing the causes of poverty and dependence on public assistance. It was felt that to break the poverty cycle, it would be necessary for governments to go beyond the basic welfare cheque as a way of giving financial assistance to those who were unable to provide for themselves, and that services should go, not only to those who were on welfare, but to others who were most likely to be in need.

The welfare services that may be cost-shared under CAP are specified in the Act and include rehabilitation services, counselling, assessment and referral, adoption services, community development, homemaker services and child care.

The federal government has guidelines (contained in the Act and subsequent regulations) about the agencies supplying the welfare services, the type of costs that it will share, and the tests to be used to determine those who are likely to be in need, so that the services received by these persons may be cost-shared.

2.2.1 Agencies Supplying the Welfare Services

To be eligible for cost-sharing under the welfare services provisions of CAP, the services must be provided by a "provincially approved agency." Such an agency is defined in the CAP Act as a government department, a person or an agency, including private non-profit agencies, which are authorized either by provincial law or by the appropriate provincial authority, to provide the services. Commercial agencies are not included in this definition -- a point that is particularly important with respect to child care services, as will be seen later.

Agencies which have received provincial approval must be listed in a schedule to the CAP agreement between the federal government and the province concerned. The CAP Directorate must also approve the listing, and its assessment takes into account six main considerations:

- Is the agency non-profit?
- Is it providing the services under provincial law?
- What are the aims and objectives, as well as the nature and the content of the services?
- What are the functions of agency staff for whom the cost-sharing is being sought?
- Who are the persons or groups to whom services are provided?
- How does the province determine if clients are "persons in need" or "persons who are likely to become in need"?

Federal staff may visit the agency as part of their assessment of its eligibility for cost-sharing.

2.2.2 Costs Which the Federal Government Will Share

For all eligible welfare services, the federal government shares the cost of salaries and fringe benefits, travel, registration fees, training, research and consultation. For child care only, certain additional operating costs are also shared.

- In addition to regular salaries and wages, cost-sharing also applies to salaries for part-time or casual employees, out-of-pocket expenses for volunteers, honoraria to board members who may administer programs, relocation expenses of employees, and employee benefits such as pension plan contributions and unemployment insurance premiums.

- Travel costs of employees of the agency, incurred in connection with providing the service, including attendance at conferences, are also shared.

- Registration fees for conferences and seminars and the cost of in-service training programs are also covered by CAP. While the main objective here is to improve the social work qualifications of those who provide welfare services (according to a Health and Welfare Canada document)[14] training in other disciplines may be cost-shared if the skills acquired by the employee will be used in providing the welfare service.

- Cost-sharing for research and consultation includes demonstration projects. However, the research and consultation must have a direct relationship to the development or carrying out of a welfare program. Special criteria are used to determine whether or not a demonstration project is eligible for cost-sharing under CAP.

- In addition to the above costs, which are cost-shared for all welfare services under CAP, the operating costs of child care services were included in CAP through regulations which came into effect in November 1972. The federal government will contribute to the cost of:

  a) rental of equipment, including vehicles;

  b) either the purchase of, or the depreciation on, any equipment mentioned above when the cost is not in excess of $1 000, or when the cost exceeds $1 000 and has the prior or subsequent approval of the provincial authority and of the Director General of CAP;

  c) materials that will be used and consumed in the course of the operations of the day care service;

  d) rental of land or premises, or the cost of depreciation on any such premises; and

e) other operating costs that are directly attributable to the operations of the day care service. These include any costs that, according to recognized and generally accepted accounting practice, would be allowed as an operating cost for an activity.

It should be noted that any capital cost, or plant and equipment operating cost not referred to above, is excluded from cost-sharing under CAP.

2.2.3 Tests to Determine "Need" and "Likelihood of Need"

Section 2 of the CAP Act defines "persons in need" as:

- persons who qualify on the basis of a test of need that takes into account budgetary requirements as well as income and resources;
- children under the age of twenty-one who are in the care or custody or under the control or supervision of a child welfare authority (either by court or voluntary agreement); and
- foster children -- that is children who are not in the care of a child welfare authority, whose parents are unable to care for them and who are cared for in private homes under social assistance programs.

The Act does not define "likelihood of need", but guidelines, setting out in detail the formula to be used, were issued by Health and Welfare Canada in 1982.[15] These guidelines replaced various other sets of guidelines, (including special guidelines used for day care services) which had been in force until that time.

Generally speaking, "likelihood of need" is established by using an income test. But, unlike the social assistance provisions of CAP, where each individual or family applying for the service must undergo a needs test, income testing under the welfare services provisions of CAP does not necessarily have to be administered on an individual basis. A target group or a geographical community may qualify as a community of need, so that the services they receive will be cost-shared, without each individual in that community being subjected to an income test. If it can be established that 90% or more of the population in a particular geographical area has incomes below the CAP "likelihood of need" guidelines for a family of four, services to that community are eligible for cost-sharing. For example, a child care centre located in a public housing project where residents are already receiving rent subsidies could be eligible for cost-sharing without individual income tests being applied. Similarly, a centre in a remote community with a high unemployment rate and a high percentage of residents on welfare, might also qualify without individual income testing.

Senior citizens receiving the Guaranteed Income Supplement (GIS) are also assumed to be perons likely to be in need, without having to undergo separate income tests to determine their eligibility for cost-shared welfare services under CAP.

As well, where provinces decide not to conduct individual income tests, they may determine eligibility of the target population for a particular service by sampling (subject to approval of sampling methods by the CAP authorities.) Federal authorities may review and audit sampling processes, and from the point of view of cost-sharing, the main concern is the reliability of the sample.

As far as child care is concerned, it is important to note that non-profit agencies (which are the only ones that qualify for cost-sharing under the welfare services provisions of CAP) may provide services to clients of varying income levels. Agency costs (outlined in section 2 above) are shared by the federal government only to the extent that the services are provided to persons in need or persons likely to be in need. Suppose, for example, that a provincial government gave $20 000 to a child care centre, used by 100 families. But only 50 of those families had incomes below the limits set in the CAP guidelines for "likelihood of need." Then only 50% of the child care centre's costs (assuming the costs are shareable according to the definitions of shareable costs under CAP) will be shared by the federal government. In other words, the federal contribution, in this case, would be $5 000 (i.e. 50% of 1/2 of $20 000).

2.2.3.1 Determining Likelihood of Need

The federal guidelines establish the maximum incomes for families considered likely to be in need and thus eligible for cost-shared services under the welfare services provisions of CAP. The level of income provided by the combined Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS) is used as the basis for the calculation, with adjustments for family size. Since OAS and GIS are indexed to the Consumer Price Index and adjusted quarterly, maximum income levels for those receiving cost-shared welfare services also change every quarter.

The amounts are calculated as follows (rates used are those in effect for the three months from April to June 1985):

- For each family applying for the service an income "turning point" is calculated, based on prevailing rates for OAS/GIS.

- The turning point will vary depending on the combination of adults and children in a family.

- Families with incomes below the turning point are eligible for fully subsidized services. In other words, the cost of the service is shared by federal and provincial (and/or municipal governments under CAP because these families meet the likelihood of need criteria.

- Families with incomes above the turning point may qualify for a partial subsidy -- or, looked at another way, they will be required to pay something towards the cost of the service themselves, and the balance will be cost-shared.

- A family whose income is above the turning point may be expected to contribute 50% of any income above the turning point towards the cost of the service. (This is referred to as the "tax back rate.") The 50% contribution will apply until the family's income reaches a second point, after which the family will be expected to contribute 100% of income to the cost of the service -- in other words, families with income greater that this second cut-off point are not eligible for a subsidy because they no longer meet the likelihood of need criteria.

- The second cut-off point may be either one-and-a-half times the turning point, or it may be the income level at which the user is paying the full cost of the service (called the "break-even point" because it is the point at which the cost of the service to the province exactly equals the contribution to that cost being paid by the family). The lower of these two is taken as the cut-off point.

The best way to understand this rather complicated formula is to work through a specific example. Based on OAS/GIS rates in effect for the April to June period 1985, CAP turning points are calculated by making these allowances:

i) For each adult, the income allowance (sometimes called the "exemption") is the amount of the OAS plus twice the amount of the GIS. Since OAS is $277 a month, and maximum GIS is $329 a month, the adult exemption is currently $935 a month (i.e. (2 x $329) + $277 = $935). An adult whose monthly income is below $935 would thus be assumed to be a person likely to be in need and would qualify for full subsidy under the welfare services provisions of CAP. In other words, $935 a month is the "turning point" for single adults.

ii) For each child, there is an allowance of one-third the adult exemption. At the moment, then, the child exemption is $312 a month.

iii) The first child in a single parent family is entitled to the adult allowance.

In estimating family income, authorities use the figure for "net earned income" defined as wages and salaries, minus non-voluntary deductions at source, such as income taxes, Canada Pension Plan contributions and Unemployment Insurance premiums. For self-employed persons, "net earned income" is defined as income from self-employment, minus deductions and business expenses as provided in provincial law.

For a single-parent family with two children, the income turning point would thus be $935 + $935 + $312 = $2 182 a month. If this family's net income is below this amount, the federal government would be willing to pay 50% of the cost of child care services provided to the family.

Suppose, however, that the family's income is $3 000 a month. It will be expected to contribute $409 a month to the cost of the child care services it needs, or 50% of its income in excess of the turning point (i.e. 50% of ($3 000 - $2 182 = $818) = $409).

This contribution of 50% will be expected for any family whose income is less than 1.5 times the turning point. In this case, then, the second cut-off point comes when the family income reaches $3 273 a month (1.5 x $2 182). Since the family is expected to contribute 50% of its income in excess of the turning point, the maximum contribution it can be required to make to the cost of its child care services is $546 a month (i.e. 50% of ($3 273 - $2 182 = $1 091) = $546.)

But suppose the actual cost of the service to the province is only $450 a month. This, then becomes the province's break-even point (the point at which provincial costs equal the amount being paid by the user of the service). Since, in this case, the break-even point is below the amount calculated by using 1.5 times the turning point, the lower figure becomes the second cut-off point. A family paying $450 a month would thus be paying the actual cost of the service and effectively would not be receiving any subsidy. The net income of such a family (note that the calculations still refer to a single-parent family with two children) would be $3 082 a month (i.e. $450 is 50% of the amount by which its net income exceeds the turning point of $2 182, so its income is $2 182 + (2 x $450) = $3 082).

In effect, then, a single-parent family with two children, whose net income exceeds $3 082 a month would not qualify under the likelihood of need guidelines (assuming that their child care services cost $450 a month). Child care services they received would thus not be cost-shared by the federal government.

Suppose, however, that the actual cost of the service is $650 a month — that is $104 greater than the maximum user fee for a single-parent, two-child family. In this case, the second cut-off point is calculated by adding the extra $104 to the income level represented by 1.5 times the turning point, to give a total of $3 377 ($104 + (1.5 x $2 182) = $3 377). In other words, the family whose income exceeds $3 377 (and whose child care costs $650 a month) would not be considered likely to be in need so that any child care services it receives would not be cost-shared under CAP. (Again, these estimates apply to a single-parent family with two children.)

The likelihood of need income levels for CAP welfare services are shown in the table below.

Table 1

Likelihood of Need Income Levels Under the Canada Assistance Plan
Calculations by Family Size Based on GIS and OAS
April - June 1985

(Subject to quarterly adjustments to GIS and OAS levels)

FAMILY SIZE	CALCULATION OF TURNING POINT [1]	TURNING POINT (USER WITH INCOME BELOW)	MAXIMUM USER FEE AT 50% TAX-BACK RATE [2]	150% OF TURNING POINT (USER CONTRIBUTES 100% OF INCOME BEYOND THIS POINT)
	Adult exemption + Child exemption	($)	($)	($)
1 Adult	$935	935	234	1 403
2 Adults	2 x $935	1 870	468	2 805
1 Adult 1 Child	2 x $935	1 870	468	2 805
1 Adult 2 Children	2 x $935 + $312	2 182	546	3 273
2 Adults 1 Child	2 x $935 + $312	2 182	546	3 273
2 Adults 2 Children	2 x $935 + 2 x $312	2 494	624	3 741
2 Adults 3 Children	2 x $935 + 3 x $312	2 806	702	4 209

1 Calculation of Turning Point:

. Adult Exemption (2 x GIS*) + OAS
(2 x $329) + $277 = $935
* Maximum GIS for pensioner with full OAS

Note: 1st child in a single-parent family is also eligible for adult exemption.
. Child Exemption = 1/3 adult exemption = $312

2 This calculation is included to enable provinces to more easily determine the break-even point for specific services.
. If the cost of the service to the province is less than this amount, only the 50% tax-back rate applies.
. If the cost of the service to the province exceeds this amount, the 100% tax-back rate must also be applied.

As will be seen from the table, a family with two adults and two children could be expected to contribute a maximum of $702 a month towards the cost of its child care, as long as its monthly income is less than $4 209. Families with net income above this, would not qualify for any subsidy. Two-adult, two-child families with monthly net incomes below $2 806 would qualify for full subsidy.

It is important to note that these are maximum net income limits up to which the federal government is willing to cost-share welfare services under CAP. They are the guidelines which the federal government is willing to accept as demonstrating that families whose incomes are within these limits are likely to be in need and therefore fall within the CAP definitions for cost-sharing of services. The levels of family income at which subsidies are actually provided to parents are set by the provincial governments. At the present time, no province using an income test has limits as high as those suggested by the federal government.

2.2.4 Establishing the Amount to be Shared

It must be emphasized again that the federal government shares only the cost incurred by the province in providing child care services to persons in need or likely to be in need, subject to the various criteria and guidelines described in the previous sections of this paper. For example, suppose that a provincial or municipal government gives a grant of $60 000 to a child care centre, listed in the province's CAP agreement with the federal government as a "provincially approved agency." The agency has operating costs of $90 000, which are covered as follows:

Provincial/Municipal grant	$60 000
Private funds	30 000
Total operating costs	$90 000

Only the $60 000 (i.e. the cost incurred by the provincial or municipal government) is eligible for cost-sharing. In order to determine what part of this amount is shareable, the following deductions must be made:

- non-shareable costs, such as capital costs;
- costs attributable to ineligible clientele (i.e. those who do not meet the likelihood of need or in need tests).

The federal share is 50% of the resulting amount. But it should be noted that to the extent that users who meet the likelihood of need tests contribute to the cost of the service, the federal government shares only in the cost incurred by the provincial or municipal government (that is, the amount of the subsidy to the eligible clientele is cost-shared.)

In addition, CAP shares 50% of the costs only insofar as they exceed the cost of the provinces and municipalities of providing these services in a period known as the "base year". The Act defines the base year as follows:

- for costs incurred by the provinces, it is the federal year 1964-65;
- for costs incurred by the municipalities, it is the fiscal year of those municipalities ending in the period between April 1, 1964 and March 31, 1965. In most instances, this is the calendar year 1964.

The effect of these provisions is that cost-sharing covers all shareable costs for new positions, as well as additional costs for positions that existed in the base year, such as salary increases. The rationale for these provisions is to be found in the preamble to the CAP Act, which outlines the federal government's desire to encourage "the further development and extension of assistance and welfare services programs throughout Canada by sharing more fully with the provinces in the cost thereof."[16]

Thus, the federal share of costs in any year is based on payments for welfare services made by the province and its municipalities during that year, after deduction of the base year costs. Transfers from one level of government to another, (for example, if the province makes a grant to a municipality), may not be claimed as costs for the purposes of cost-sharing under CAP. This is to avoid duplicate reimbursement for costs incurred at one and then at the other level of government. However, if the cost is incurred solely by the municipality, the province may submit a claim for these costs.

Costs claimed by the province must be based on when the service was paid for rather than when it was provided. For example, retroactive salary adjustments would be claimed during the year in which they are actually paid.

3.0 PROBLEMS INVOLVED IN FUNDING CHILD CARE THROUGH CAP

Few people are happy with the way child care is funded through CAP. Some have argued, however, that it is not the design of the program that is to blame, but rather the fact that CAP is not used to its full potential by the provinces.

Criticisms of the program as a vehicle for funding child care in Canada centre on several key concerns:

i) It is a welfare program and thus, as the Royal Commission on the Status of Women pointed out 15 years ago, it is an inappropriate way of meeting the needs of all those families which require child care services. Those who do not meet the criteria for persons in need or likely to be in need cannot qualify for cost-shared services. And the system of needs tests and income tests stigmatizes child care and the families who use it;

ii) It focuses on subsidizing eligible users rather than on creating new child care spaces. This is particularly so in light of the fact that capital costs are specifically excluded from CAP;

iii) Artificial and arbitrary distinctions are created between commercial facilities, which may be cost-shared under the social assistance provisions if the province agrees to use a needs test, and non-profit centres, which are cost-shared under the welfare services provisions and only if an income test is used.

3.1 CAP as a Welfare Program

The objectives of CAP are clearly set out in the preamble to the 1966 Act, and have been discussed elsewhere in this paper. Although "day care" is specifically mentioned as a service which will be cost-shared (provided the various conditions laid down in the Act and regulations are met), the legislators were obviously thinking only of exceptional situations where families which need this service might not be able to afford it. The possibility that a majority of Canadian families might be users of child care services probably had not occurred to policy-makers in the early 1960s. (Even today, many policy-makers seem unwilling to recognize that a majority of families with preschool children need child care services -- most of them on a full-time basis.)

CAP was never intended as a way for the federal government to contribute to a universal child care system. Yet, increasingly, there is pressure for it do just that. Since the typical family with small children is now one in which both parents work outside the home, (or in single-parent families, where the parent is in the work force) a strong case can be made for child care to be universally available; for this service to be regarded a service to children (in the same way that elementary education is), and not merely as a convenience to mothers; and for it to be financially supported by society as a whole (in the way that educational services are supported).

The ignominious needs test and income limits exclude many middle income families from the services and it is generally believed that the only people who make use of the licensed child care centres are the very rich, who can afford to pay the full fees, or the very poor who are eligible for full subsidy. It may even be the case that children of the working poor are excluded too, because even though they might qualify according to income or "need", there just are not enough spaces to meet their requirements.

In answer to these complaints, federal officials point out that federal guidelines on likelihood of need are now so generous that even a two-parent, two-child family with a net income of $45 000 could qualify for a partial subsidy. While this is undoubtedly the case -- and calculations indicate that it is -- even if the provinces were to adopt the more generous federal income guidelines for cost-shared child care services, as long as there are any income or needs tests at all, the stigma that inevitably attaches to a welfare program will remain.

While some provinces limit, for any particular child care facility, the percentage of spaces which are subsidized, some observers feel that the income tests imposed on parents who apply for those spaces which are subsidized, has resulted in a view of child care centres generally as a "welfare service" and that the stigma may deter other parents who can afford to do so from using the other non-subsidized spaces.

In other centres, where there is no limit on the percentage of spaces which may be subsidized, only children from the poorest families may be accepted. Since the poorest families are often single-parent families headed by women, situations may arise where, for instance, all the children in a particular centre come from female-headed, single-parent families. These children then have no opportunity to meet or mix with children from two-parent families, or families where a father is present -- a situation which many day care advocates find unacceptable.

3.2 The Lack of Child Care Spaces

Critics of CAP point out that by focusing on subsidizing eligible users, the plan offers little incentive to the provinces to create additional child care spaces. This defect is exacerbated, critics say, by the fact that capital costs are not eligible for sharing under CAP. However, it must be pointed out that capital costs may be written off over time in accordance with acceptable accounting principles, and depreciation on equipment, land or premises is a cost to which the federal government will contribute under the November 1972 CAP regulations, which apply specifically to day care.

The problem with this formulation is that provinces must produce the required capital sum to purchase the equipment, land or buildings, before these assets can start depreciating, and provinces have been unwilling or unable to do this.

The extent of provincial failure to meet the child care needs of their citizens is perhaps not widely acknowledged. While it is true that provincial income guidelines used to determine likelihood of need are much less generous than those the federal government would be willing to accept, there is evidence that child care services are being provided only to a small fraction of those who actually meet the likelihood of need guidelines established by the provinces themselves.

Calculations made for this study, and given in detail in the Appendix, indicate that in 1983 (the latest year for which data are available) there were 363 000 preschool children whose families met the provincial income guidelines for likelihood of need, and who would have been entitled to subsidized child care services in that year. There were approximately 70 000 subsidized, licensed child care spaces available throughout Canada in 1983. Thus, less than one-fifth of those children who should have been receiving subsidized care in a licensed centre were actually getting that service.

In addition, the procedure followed under CAP of reimbursing the provinces after they have spent the money, encourages provinces to set the level of service and funding according to political priorities rather than client need. Government officials and day care providers, interviewed for a recent survey,[17] saw this as seriously limiting the expansion of child care services. Whether or not a province will come up with the initial outlays required to expand child care services may depend on whether or not the province regards the expansion of child care services as a political priority.

3.3 Commercial Services or Non-Profit Centres?

CAP regulations specify that where provinces claim cost-sharing under the welfare services provisions of the plan, only those services provided by provincially approved agencies (clearly defined in the Act) will be eligible for cost-sharing. Commercial child care centres are specifically excluded under this section of the Act. As already described, the federal government will share the cost of services provided to those in need or likely to be in need, as determined by a provincially-administered income test.

Commercial, or profit child care services may be cost-shared only if they provide for persons in need, as determined by a needs test, under the social assistance provisions of CAP.

The requirements of CAP may thus result in artificial and arbitrary distinctions between commercial and non-profit child care facilities. For instance, provinces which support the development of commercial child care facilities, perhaps for reasons of political philosophy, can only get the federal government to share in the cost of their expenditures on such facilities if they are willing to administer a needs test to the recipients of the services — something which they may be opposed to on philosophical grounds. For example, the Province of Alberta provides operating grants to all licensed centres, whether profit or non-profit. It also provides subsidies to low-income parents. But eligibility is determined by using an income test. Thus, only services provided in non-profit centres are eligible for cost-sharing, since these fall within the criteria for welfare services to those likely to be in need under CAP. In 1983, it was estimated that Alberta spent about $40 million on child care, while the federal government contributed only $14 million to child care services provided by the province.[18]

The question of profit or non-profit child care is a controversial issue in relation to CAP. It has been noted[19] that, on the one hand CAP is seen as a positive force in preventing the expansion of commercial child care, (which many day care advocacy groups believe is undersirable), while on the other hand, the plan is viewed as disadvantageous because it limits user accessibility by not funding profit day care on the same basis as non-profit care.

Manitoba and Saskatchewan have prohibited any further expansion of profit child care. Commercial child care facilities accounted for 42% of child care spaces in the four Atlantic provinces in 1983, while 49% of the combined spaces of Alberta and Ontario were in commercial child care centres in 1983.[20] For Canada as a whole, about 40% of all child care spaces in 1983 were in profit child care centres.

Concern has been expressed that in some provinces, particularly in rural areas, most of the available child care facilities are commercial centres, and since these can be cost-shared only if the province applies a needs test and makes a claim under the social assistance provisions of CAP, the potential for expansion of child care services is thereby reduced.

Implicit in these concerns is the assumption that a needs test is, by definition, more restrictive than an income test, thus to apply for cost-sharing under the social assistance provision of CAP will be more limiting than to apply under the welfare services provisions. This many not necessarily be the case. In fact, it has been reported that one province, which compared both procedures, found that fewer families would have qualified under its income test than under its needs test.

In any event, it remains a matter of some dispute as to whether or not CAP should be encouraging the establishment of commercial child care facilities. Federal officials have noted[21] that the separation of non-profit and profit facilities in the Act was deliberate. When CAP was

introduced, most social services were delivered by the government. CAP was intended to encourage the voluntary sector to work with the government, not to move social services into the commercial area.

4.0 ADDRESSING THE PROBLEMS

Regardless of whether or not one agrees with the principle of funding child care services through a plan which has as its objective "the provision of adequate assistance to and in respect of persons in need and removal of the causes of poverty," it is clear that CAP is not even meeting the limited objective set for the plan in the 1966 Act which created it.

The notion of child care services, which are now a necessity to the majority of Canadian families, as "welfare services" provided to "persons in need or persons who are likely to become persons in need unless such services are provided," may be abhorrent to many. Nevertheless, of those families which meet the criteria, established by the provinces themselves, it is probably fair to say that less than one-fifth are receiving the services for which they are eligible.

Can provincial failure to provide the necessary services be blamed on the design of CAP? There is no clear answer to that question. Certainly, the fact that capital costs are not eligible for sharing under CAP may have some bearing on the situation. But the conclusion is inescapable that if provinces regarded the provision of child care services as a political priority, funding would be available to undertake that initial capital expenditure which could then be reclaimed through CAP as depreciation costs, eligible for sharing under the plan.

In this connection, it is interesting to note that during the recent provincial election campaign, the Ontario government announced a $52 million spending program to improve day care services in the province and to create an additional 7 500 subsidized spaces. (According to this writer's estimate, this should bring the number of subsidized spaces in the province up to about 32 500 -- enough to provide services to about 28% of preschool children whose families meet Ontario's own guidelines for persons in need.)

There may, indeed, be some provinces which are unable to allocate funds to capital spending on child care centres, even in anticipation that most of that expenditure will eventually be shared by the federal government. Some may be reluctant to undertake projects if there is any doubt that the majority of families needing the service will meet the likelihood of need guidelines, in case depreciation of the capital assets (land, building and equipment) is denied eligibility for cost-sharing.

It may therefore by worthwhile to explore ways in which the federal government might offer some incentive to the provinces to undertake the necessary capital expenditures to expand child care facilities. Federal loan guarantees may be one possible option. Another would be simply to amend the provisions for sharing depreciation costs under CAP and make capital costs shareable instead.

The possibility of a flat-rate grant has also been raised by a number of day care advocates. One proposal suggests a $5-a-day grant to every approved day care space, and a $25 annual grant to the provinces and territories for each child 12 years of age and younger. It has been estimated that the cost of these measures would be approximately $300 million in the first year.[22] The proposal is seen as an interim measure to put money into the hands of provincial and territorial governments allowing them to create new public child care facilities and programs while a new Day Care Financing Act is negotiated.

Whether or not a new financing Act is eventually enacted, it is clearly a matter of urgent necessity to identify some way in which child care facilities can be expanded so that, at a very minimum, they are adequate to meet the requirements of those persons who are in need or likely to be in need -- the families CAP is intended to serve.

As a next step, it has been suggested the provinces should be encourged to raise their income limits to bring them up to the levels set by the federal government, so that more families could qualify for subsidized services under the likelihood of need criteria. Some officials believe that increasing limits in this way is only a matter of time, and they suggest it may not be long before provinces adopt the federal limits.

It is also urgent to achieve some resolution of the dilemma of whether or not cost-shared funding should be available to commercial as well as non-profit centres. Feelings run high on this issue and it will not be easy to resolve it. There are many who feel that the quality of commercial, for-profit child care centres leaves a good deal to be desired. These critics question whether, as a point of principle, operators of these centres should be able to profit from supplying services that are so desperately needed by so many families. Essential services such as child care, these observers would argue, must be universally and freely available to all and supported by all taxpayers.

Until that happens, there seems to be little logic in cost-sharing of commercial child care services, albeit indirectly, if they are purchased by provinces and claimed under the social assistance provisions of CAP for those who qualify under a needs test, while refusing to cost-share commercial services provided under the welfare services provisions to those who qualify according to an income test as likely to be in need.

Some rationalization of these rather complicated provisions and requirements is needed. Among the options are:

- cost-sharing for both profit and non-profit centres on the same basis, including redefining small, rural commercial child care centres as "provincially approved agencies" which would qualify for funding under the welfare services provisions of CAP;

- excluding profit child care services from any cost-shared funding at all. And if there is reluctance to go this far, at least any amendments to allow capital costs to be shared might specifically exclude commercial for-profit centres;

- permitting the provinces to use either needs tests or income tests under both the social assistance or welfare services provisions, according to which ever method is most advantageous for the client.

Other modifications to CAP have been suggested,[23] including the possibility that the federal government's share of eligible costs might exceed 50%, especially for high-cost items such as capital costs, infant care, and care for handicapped children; that cost-shared flat-rate grants might be extended; and that demonstration projects might be directly funded for five years, after which they would be cost-shared with the province according to existing criteria.

In any event, it is clear that CAP, as it now stands, is not meeting its objectives for child care services. Indeed, many of the plan's inadequacies, as far as child care services are concerned, have been recognized for the past ten or fifteen years.

Ultimately, however, policy-makers must decide whether or not CAP should remain the only vehicle through which the federal government contributes to the cost of child care services. The fact that so many of Canada's preschool children do not have access to quality, affordable child care must surely be a matter for serious concern. Given that the typical Canadian family is now one in which both parents are in the work force, we must assume that the majority of preschool children now require child care services. Provision of these services must be regarded as urgent for the well- being of our children and not something that can be given low priority because it is seen as a service of convenience for mothers, (whom policy-makers mistakenly assume could, or even ought to, choose to remain at home to look after their children themselves).

There is no doubt that CAP was not designed as a mechanism for funding a universal child care system. Yet, ultimately, Canada may come to the realization that a universal child care system is necessary and indeed a right of all Canadian children. The closer Canada comes to that realization, the more urgent it will be to develop some other funding mechanism to replace the Canada Assistance Plan.

NOTES

1 Statistics Canada, Labour force survey division, unpublished data for 1966.

2 Report of the Royal Commission on the Status of Women in Canada, Ottawa, September 1970, p. 270.

3 Statistics Canada, Labour force survey division, unpublished data.

4 Statistics Canada, The Labour Force, December 1984, Table 65A.

5 Health and Welfare Canada, Status of Day Care in Canada, 1983, Table 1.

6 Statistics Canada, Labour force survey division, unpublished data.

7 Canada Assistance Plan, 1966-67, c. 45, s.2.

8 Health and Welfare Canada, Income Security for Canadians, Ottawa, 1970, p. 19.

9 See Fiscal Federalism in Canada, Report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, Ottawa, August 1981, p. 49.

10 Ibid.

11 Ibid., p. 39.

12 The terms "province" and "provincial" include the territories unless otherwise specified.

13 Department of National Health and Welfare, Social Service Programs Branch, July, 1980. (It should be noted, however, that life insurance policies do not usually have a cash surrender value immediately after purchase.)

14 Note on Welfare Services under the Canada Assistance Plan, Published by authority of the Minister of National Health and Welfare, August, 1984.

15 Health and Welfare Canada, Guidelines on Likelihood of Need under the Welfare Services Provisions of the Canada Assistance Plan, April 1983.

16 Canada Assistance Plan, 1966-67, c. 45.

17 Conducted for the Task Force on Child Care, by Dana Hanson, October 1984.

18 Status of Women Canada, Financing of Child Care in Canada, May 1984.

19 Dana Hanson, op.cit.

20 Ibid.

21 Ibid.

22 Canadian Day Care Advocacy Association, The CDCAA Story, February 1984.

23 See Dana Hanson, op.cit.

APPENDIX

The Ability of CAP to Address Child Care Needs

The income limits established by the federal government to serve as guidelines for likelihood of need under the welfare services provisions of CAP are considerably more generous than any of those adopted by the provinces to date. For example, a two-parent family with two children, using federal guidelines, would be eligible for fully-subsidized child care if their gross income were less than $33 253, and it would be entitled to receive a partial subsidy as long as its gross income is less than $49 880 a year.[1] In contrast, income guidelines for the province of Ontario, for instance, indicate that the same family would be eligible for fully-subsidized care only if its annual income were less than $20 132. And those families (two-parent, two-child) whose incomes are above $25 248 would not be entitled to any subsidy -- in other words, child care services used by these families would not be cost-shared under CAP.

Because of the lower level at which provinces have established turning points to determine likelihood of need, the argument has been made that if the provinces would adopt the federal income-level guidelines, virtually all families who need child care would be able to qualify under likelihood of need criteria. The conclusion drawn by these observers is that CAP is not being used to its full potential by the provinces. This may well be the case. However, there are strong indications that, even though provincial guidelines for income turning points are set much lower than those of the federal government, only a very small percentage of families who qualify under those lower income guidelines is actually receiving subsidized (and thus cost-shared) child care services under CAP.

The lack of appropriate data makes it extremely difficult to arrive at a reliable estimate of the number of families which might qualify for subsidized child care under provincial income guidelines. Calculations must take into account the following considerations:

- Provinces may use needs tests or income tests or a combination of both to determine eligibility for cost-shared services, either through the social assistance or the welfare services provisions of CAP. For example, Ontario provides cost-shared child care under the social assistance provisions and therefore uses a needs test to determine eligibility. Nevertheless, other researchers have attempted to estimate, for all provinces, the income levels at which various types of families would be receiving cost-shared services under CAP, regardless of whether those services are cost-shared under the social assistance provisions or under the welfare services provisions of the plan.[2]

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1 Methodology for these calculations is discussed in detail later in this appendix.

2 See Financing of Child Care in Canada, Status of Women Canada, May 1984.

- Even if income levels can be established for various types of families, likelihood of need guidelines are based on net income, that is income after statutory deductions such as contributions to the Canada Pension Plan and premiums for Unemployment Insurance, as well as after income tax. Income data published by Statistics Canada, however, are classified according to gross income of families and individuals. The income turning points established by the provinces must therefore be converted to a gross income basis before any comparison can be made with family income data as it is published by Statistics Canada.

  Conversion to gross annual income necessitates certain assumptions about tax exemptions and deductions, as well as about income tax rates for various types of families.

- Even when these assumptions have been made and we have arrived at levels of gross family income below which various types of families would qualify for subsidized (and thus cost-shared) child care services, appropriate published data on family incomes by presence of preschool children, labour force activity of parents and number of children in the family are not readily available.

- Even if such data were available, the likelihood of need guidelines set different income levels according to the number of adults and the number of children in a family. This produces a considerable variety of income levels which it is impossible to match up with appropriate family income data from Statistics Canada.

- Even if all of these data problems could be solved, there is almost no reliable information about the number of subsidized child care spaces in each province.

The following tables and calculations are an attempt to circumvent these data problems by using proxies for the different variables to try to arrive at an estimate of the number of preschool children who might qualify for subsidized care under the likelihood of need guidelines established by the provinces. The procedure may be summarized as follows:

1. Because of the complications involved in estimating income turning points for many different family types, it was decided to deal with only two: a two-parent family (with both parents in the work force) with two children, and a single-parent family with two children.

2. Income turning points for these two families were converted to gross family income (i.e. before-tax income) for each province and territory.

3. As an indication of whether or not families at these income levels were typical of families in the province concerned, annual family incomes at the turning point and the cut-off point for subsidization were compared with average and median incomes for all families, regardless of size, family type or presence of children. (For the Atlantic region and the Prairies income data were not available on a province by province basis.)

4. To determine what percentage of all families, (whether or not they had children), might be within or outside the income range for subsidized child care, a further calculation was made (Table 4).

5. The unavailability of family income data on a province-by-province basis necessitated the calculation of a weighted average of provincial turning points for the two family types so that these could be compared with family income data at a national level.

6. Further calculations were then undertaken to determine the percentage of two-parent families in different income groups with preschool children. As an indication that such families would be potential users of child care, only those two-parent families where the wife was in the labour force were included. No attempt was made to distinguish between families where the mother was employed full-time, or employed part-time.

7. Separate estimates were made for single-parent families, but income groups for these families were not available by presence of children or labour force activity of the parent.

8. Since no data were available by number of children in a family, where there were children under 6 and the mother was in the work force, further assumptions had to be made about how many children in each of these families and in single-parent families would be potential users of child care services.

9. Based on these estimates and calculations, it was possible to arrive at an estimate of the number of children in families which might qualify for a full subsidy, as well as those who might qualify for a partial subsidy and those which would not qualify for any subsidy at all.

10. It was then necessary to estimate how many subsidized child care spaces were provided by the province and to compare that number with the number of children who might qualify for subsidized care.

In view of the difficulties outlined above and the considerable number of assumptions that had to be made, it is evident that the results of these calculations are subject to a wide margin of error. Nevertheless, they may provide some indication of the ability of CAP as it is now being used by the provinces to meet the need for child care services.

Table 1

Income Turning Points Used by Province to Determine

Likelihood of Need For Child Care Services Under CAP

1983

Two Parents, Two Children

	Full subsidy up to this income level			Partial subsidy ends at this income level		
	After-tax income		Gross Income	After-tax income		Gross Income
	Monthly	Annual	Annual	Monthly	Annual	Annual
British Columbia	1 105	13 260	13 589	1 953	23 436	26 167
Alberta	1 430	17 160	17 922	2 001	24 012	26 754
Saskatchewan	-	-	20 880	-	-	42 960
Manitoba	1 136	15 792	16 589	2 508	30 096	34 735
Ontario	1 556	18 672	20 132	1 886	22 632	25 248
Quebec	1 075	12 900	13 212	1 783	21 396	24 353
New Brunswick	970	11 640	11 918	1 730	20 760	23 058
Nova Scotia	958	11 496	11 770	1 588	19 056	20 742
Prince Edward Island	870	10 440	10 681	2 040	24 480	27 864
Newfoundland	1 470	5 640	5 662	1 010	12 120	12 422

Table 2

Income Turning Points Used by Province to Determine

Likelihood of Need For Child Care Services Under CAP

1983

Single Parent, Two Children

	Full subsidy up to this income level			Partial subsidy ends at this income level		
	After-tax income		Total Income	After-tax income		Total Income
	Monthly	Annual	Annual	Monthly	Annual	Annual
British Columbia	1 005	12 060	12 471	1 853	22 236	26 243
Alberta	1 250	15 000	16 139	1 831	21 972	25 712
Saskatchewan	-	-	19 680	-	-	30 720
Manitoba	1 138	13 656	14 678	2 330	27 960	34 874
Ontario	1 368	16 416	18 410	1 698	20 376	23 861
Quebec	975	11 700	12 086	1 683	20 196	24 319
New Brunswick	880	10 560	10 930	1 630	19 560	22 980
Nova Scotia	939	11 268	11 686	1 569	18 828	21 928
Prince Edward Island	780	9 360	9 665	1 950	23 400	28 134
Newfoundland	430	5 160	5 301	970	11 640	12 103

Notes:

1. Monthly after-tax income levels are taken from Financing of Child Care in Canada, Status of Women Canada, May 1986.

2. Saskatchewan subsidies are based on gross income, therefore no pre-tax figures are shown.

3. Total family income is treated as composed of a) wages and salaries, b) investment income, and c) family allowances, these being the major income sources (a and b) and transfers for families of major interest for the analysis.

4. Family allowances were calculated using "standard" values for provinces other than Quebec and Alberta; values for those two provinces reflected provincial variations. The two children were assumed to be four and seven years old.

5. Total income exclusive of family allowances, termed here "total private income", was split into two components wages and investment income, using the proportion derived from Taxation Statistics (1983 Preliminary) for individual filers with total incomes from $10 000 to $25 000. The proportion used is 91.6% for wages and 8.4% for investment income.

6. In the case of single-parent families, the parent was assumed to receive all of the income for the family. For the two-parent family, the head was assumed to receive 2/3 of the wages and the spouse the remaining 1/3. Similarly, the investment income was also assigned with 2/3 going to the head and 1/3 to the spouse. The head was assumed to claim, for tax purposes, the full amount of family allowances.

7. CPP/QPP and UI premiums were calculated for each earner based on that earner's wages and salaries, all of it being treated as income from paid (as opposed to self-) employment.

8. Income taxes were then calculated for each earner, assuming that families adopted filing patterns (e.g. with respect to claims for exemptions and transferable deductions) to minimize the income tax paid by family members.

9. Certain deductions could be calculated precisely: those for CPP/QPP premiums, UI premiums, the employment expense allowance and the deduction for interest, dividends, and capital gains.

10. Other deductions, (e.g. those for union dues, RRSPs, or charitable contributions), were calculated using proportions of total income derived from Taxation Statistics (1983 Preliminary) for filers with incomes from $10 000 to $25 000. Thus, "other deductions from total income" were calculated as 7.24% of total income and "other deductions from net income" were calculated as 1.96% of total income.

11. Federal income taxes payable, i.e. subtracting the relevant federal tax reductions, were then calculated for each earner.

12. Provincial income taxes were calculated for each province and earner, taking into account all provincial tax reductions. For Quebec, the provincial tax system was modeled, as well as the Quebec tax abatement on federal income taxes, for each earner.

13. After-tax income was then calculated as total income less federal and provincial income taxes and less UI and CPP/QPP premiums. Tax credits which may depend on a variety of specialized factors such as dividend income, rents and political contributions, were not calculated; the federal government has discouraged provinces from including such credits in the income definitions of benefit programs.

14. With respect to methodology, the relationships described above were modeled in a spread- sheet (Symphony) and the family total income was varied until (for each combination of family structure, province, and full/partial benefit cutting point) a value was discovered which produced the relevant "target" after-tax income value. The resulting sets of values were then tabulated as the project outputs.

Table 3

Comparison of Provincial Income Turning Points With Average and Median Family Incomes

1983

	CAP Turning Points[1]		Family Incomes[2]	
	Full subsidy up to this income level ($)	Partial subsidy end at this income level ($)	Average Income ($)	Median Income ($)
British Columbia	13 589	26 167	36 034	33 308
Alberta	17 922	26 754		
Saskatchewan	20 880	42 960	35 642	32 149
Manitoba	16 589	34 735		
Ontario	20 132	25 248	37 465	33 002
Quebec	13 212	24 353	31 937	28 923
New Brunswick	11 918	23 058		
Nova Scotia	11 770	20 742		
Prince Edward Island	10 681	27 864	28 511	24 299
Newfoundland	5 662	12 422		

Notes: 1 For a two-parent family with two children, see Table 1.

2 Source: Statistics Canada, Income Distributions by Size in Canada, 1983, Table 2.

Table 4

Percentage of All Families With Income Below the CAP Turning Point

1983

	Percentage below the turning point for full subsidy	Percentage above the cut-off point for partial subsidy
British Columbia	17%	62%
Prairie Provinces	27	45
Ontario	27	67
Quebec	19	60
Atlantic Provinces	10	56

Notes:

1. Source: Statistics Canada, Income Distribution by Size in Canada, 1983, Table 2.

2. Income data for all families, regardless of whether or not they have children.

3. Provincial turning points fall within various income groups into which the family income data are arranged. It has been assumed that all families within the income group in which the turning point falls are actually below the turning point. For example, British Columbia's turning point for full subsidy is $13 589 falling within the Statistics Canada income group of $12 000 - $14 999. It was assumed that all families in this income group and below would be eligible for full subsidy.

4. Income data for Prairie Provinces and Atlantic Provinces are not available on a province-by-province basis. For the purposes of comparison, provincial turning points for Alberta, Saskatchewan and Manitoba were averaged to give a figure for "Prairie Provinces", and the "Atlantic Provinces" turning point are an average of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

Methodological Appendix

Calculation of number of preschool children in families which meet provincial guidelines for eligibility for cost-shared child care under CAP

Two-parent families with two children

1. Calculate weighted average of provincial turning points below which families receive full subsidy:

   a) gross income levels from Table 1
   b) Yukon and Northwest Territories excluded from calculation
   c) Weights used are percentage of total population 15 years or older in each province:

British Columbia	11.5%
Alberta	9.1
Saskatchewan	3.8
Manitoba	6.1
Ontario	36.1
Quebec	26.5
New Brunswick	2.8
Nova Scotia	3.4
Prince Edward Island	0.5
Newfoundland	2.2
	100.0%

   Source: Statistics Canada, The Labour Force, December 1984. Table 59 (Annual averages for 1984).

2. Calculate weighted average of provincial turning points above which families are not eligible for any subsidy, using same methodology as above.

3. Results: two-parent families with two children with income below $16 680 are eligible for full subsidy. Those with income above $26 527 are ineligible for any subsidy.

Single Parent Families with Two Children

1. Weighted average of provincial turning points below which families receive full subsidy (calculated from Table 2 and using methodology outlined above) results in average gross income of $15 309.

2. Weighted average of provincial turning points above which families receive no subsidy at all (using data from Table 2 and same methodology) results in an average gross income of $25 972.

Number of Two-parent Families Which Meet the Eligibility Criteria

1. Calculate percentage of two-parent families with children under 6, where family income is below turning point for full subsidy or above point at which partial subsidy ends.

Percentage Distribution of Husband-Wife Families by Husband's Income Group, Presence of Children under 6 years and Labour Force Participation of Wife, 1983

Husband's income group	Families with children under 6 years, wife in labour force
Under - 5 000	3.6
$ 5 000 - 9 999	7.8
10 000 - 11 999	4.6
12 000 - 14 999	8.5
15 000 - 16 999	6.1
17 000 - 19 999	8.8
20 000 - 21 999	7.5
22 000 - 24 999	9.1
25 000 - 26 999	5.3
27 000 - 29 999	7.9
30 000 - 31 999	5.1
32 00 - 34 999	5.9
35 000 - 36 999	4.0
37 000 - 39 999	2.9
40 000 - 44 999	5.2
45 000 - 49 999	2.9
50 000 - 59 999	2.8
60 000 and over	2.2
Total	100.0

Average husband's income $25 154
Median husband's income $23 029
Average family income $38 383

Source: Statistics Canada, Income Distribution by Size in Canada, 1983, Table 18.

2. Data are available only by husband's income group.

3. Assume wife's earnings are half husband's income, that is wives contribute roughly one-third of family income.

4. Each income group shown in Table is "understated" by 50% (i.e., 3.6% of families have incomes below $7 500 ($5 000 + $5 000/2).

5. Based on these assumptions, average potential turning point for full subsidy falls in the husband's income group of $10 000 - $11 999 which is equivalent to a "family income" group of $15 000 - $17 999.

6. Thus, 16% of all two-parent families with children under six years and wife in the work force have incomes below the average provincial turning point for full subsidy.

7. Using the same methodology, the average family income at which partial subsidy ends falls in the husband's income group $17 000 - $19 999, which is equivalent to a "family income" group of $25 500 - $29 999.

8. Thus 70% of all two-parent families with children under six years and wife in the work force would not be eligible for subsidized child care because their incomes are above the level at which partial subsidy ends.

Number of Single-Parent Families Which Meet the Eligibility Criteria

1. Data on incomes of single parent families by presence and age of children and labour force participation of parent are not available.

2. Income of single parent families in total is as follows:

Percentage Distribution of Families by
Income Groups, Employment Status and Sex of Head, 1983

Income group	Female headed families, with family head in labour force
under $5 000	4.7
$ 5 000 - 9 999	17.1
10 000 - 11 999	6.1
12 000 - 14 999	10.5
15 000 - 16 999	5.8
17 000 - 19 999	7.8
20 000 - 21 999	4.9
22 000 - 24 999	6.3
25 000 - 26 999	5.0
27 000 - 29 999	6.2
30 000 - 31 999	4.6
32 000 - 34 999	4.9
35 000 - 36 999	2.2
37 000 - 39 999	4.2
40 000 - 44 999	3.2
45 000 - 49 999	1.6
50 000 - 59 999	2.3
60 000 and over	2.6
Total	100.0
Average income	$22 545
Median income	$19 207

Source: Statistics Canada, Income Distribution by Size in Canada, 1983, Table 5.

3. In view of the fact that the vast majority of lone parent families with preschool children are female-headed families, the income groupings in the above table may be used to estimate what percentage of families meets the eligibility criteria.

4. Average provincial turning points for single-parent, two-child families are $15 309 and $25 972.

5. The turning points below which full subsidy is paid falls within the income group $15 000 - $16 999, but since it is so close to the lower limit of this group it is assumed that only those families with incomes below $15 000 would qualify for full subsidy. Thus 38% of single-parent families would be eligible for full subsidy.

6. The income level at which full subsidy ends falls within the income group $25 000 - $26 999.

7. Thus 32% of single-parent families would not be eligible for subsidized child care.

To Calculate the Number of Children Potentially Eligible for Subsidized Care

1. Assume that only families with preschool children where the mother is in the work force require child care services. Families where the husband is unemployed or not in the labour force are assumed not to be potential users of child care.

Labour Force Participation of Women by Age of Children and Labour Force Status of Husband

1984
'000

Families with preschool children	Husband employed	Husband unemployed or not in labour force	No husband present
Mother employed full-time	396	48	41
Mother employed part-time	196	14	12
Mother unemployed	82	21	19
Total mothers in labour force	673	83	72

Source: Statistics Canada, The Labour Force, December 1984, Table 65A (Annual Averages, 1984).

2. Assume that only families where the mother was employed (whether full-time or part-time) needed child care services.

3. Results show 592 000 two-parent families with preschool children needed child care services, and 53 000 single-parent families with preschool children were potential users of child care.

4. Since the above data do not indicate the number of children per family, assume there were 1.7 children per family (1.7 is the number of births per woman - the fertility rate).

5. Results show that 1 006 400 children in two-parent families, and 90 100 children in single-parent families needed child care.

6. Previous calculations indicated the percentage of two-parent and single-parent families meeting the provincial criteria for subsidized child care. Applying these percentages gives the following results:

   a) Children in two-parent families:

   - eligible for full subsidy
     16% x 1 006 400 = 161 024

   - eligible for partial subsidy
     14% x 1 006 400 = 140 896

   - not eligible for subsidy
     70% x 1 006 400 = 704 480

   b) Children in single-parent families:

   - eligible for full subsidy
     38% x 90 100 = 34 238

   - eligible for partial subsidy
     30% x 90 100 = 27 030

   - not eligible for subsidy
     32% x 90 100 = 28 832

7. Based on the above calculations, the number of preschool children in families which meet the eligibility criteria for subsidized child care is 363 188.

<u>Comparison of Number of Children Potentially Eligible for Subsidized Child Care with Number of Subsidized Spaces Provided by Provinces</u>

1. Health and Welfare Canada estimates there were 139 070 day care spaces in Canada at March 31, 1983 (see <u>Status of Day Care in Canada, 1983</u>, National Day Care Information Centre).

2. CAP officials estimated that 47% of these spaces, (i.e. 65 363) were partially or fully subsidized (see Hansen paper, p. 101).

3. Other calculations result in a higher number:

Subsidization of Day Care Spaces, 1983

Province	Centre Spaces	Family Day Care Spaces	Total Spaces	% Subsidized*	Number of Subsidized Spaces
British Columbia	12 783	2 818	15 601	**	7 800
Alberta	22 983	3 159	26 142	***	12 832
Saskatchewan	3 107	1 404	4 511	70	3 158
Manitoba	7 407	1 239	8 646	50	4 323
Ontario	45 193	5 889	51 082	**	25 541
Quebec	24 077	1 182	25 259	**	12 629
New Brunswick	2 788	–	2 788	**	1 394
Nova Scotia	4 006	68	4 074	73	2 974
Prince Edward Island	313	19	332	40	133
Newfoundland	635	–	635	24	152
Total	123 292	15 778	139 070		70 936

Source: Health and Welfare Canada, Status of Day Care in Canada, 1983, National Day Care Information Centre, Table 5.

* According to National Day Care Information Centre.

** No information available on percentage of spaces which are subsidized, so it was assumed 50% receive some subsidy.

*** Day care centres 48% subsidized, satellite homes 57% subsidized.

Note: The reliability of the above estimates is open to question. For example, methodology results in 25 500 subsidized spaces in Ontario, whereas various published reports suggest 30 000 spaces which receive a subsidy.

4. Assuming the number of subsidized spaces is between 65 000 and 70 000, and that the number of preschool children in families potentially eligible for a subsidy (using an average of provincial income guidelines for CAP likelihood of need criteria) is 363 188, it might be concluded that CAP serves only between 18% and 19% of eligible children.

CHILD CARE AND TAXATION IN CANADA

WHO PAYS?

Presented to the

Task Force on Child Care

October 10, 1984

by

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ANALYSIS OF SECTION 63 AND ITS INEQUITIES

Under section 63 of the Income Tax Act (Canada) (the "Act") certain individuals are allowed to deduct child care expenses for their eligible children. The following aspects will be considered in this discussion:

(a) Payments
(b) Definitions
(c) Receipts
(d) Who may deduct
(e) Limits on deductions
(f) Cost of care
(g) Sample situations
(h) Inequities in the existing legislation

A. PAYMENTS

In order to deduct child care expenses, a taxpayer must have paid to an individual or a business, either in cash or in some other form of remuneration such as meals, lodging, etc., amounts which are for the care of the taxpayer's eligible children.

B. DEFINITIONS

Section 63 of the Act contains definitions of "child care expense", "earned income", "eligible child" and "supporting person". These definitions are critical to the section.

1. Child Care Expense

A child care expense is an expense incurred to provide the following for an eligible child: babysitting, day nursery services, lodging at boarding school or camp, or some other type of care, if it is provided so that the taxpayer or a supporting person residing with the child when the expense is incurred, may perform the duties of an office of employment, carry on a business alone or as an active partner engaged in a business, undertake an occupational training course, or carry on research. The child care services must be provided by a resident of Canada other than the following: a parent of the child or a supporting person of the child, a person under twenty-one who is connected with the taxpayer or his spouse by blood relationship, marriage or adoption, or an individual in respect of whom a deduction has been made under section 109 of the Act in computing the taxable income for the year of the taxpayer or supporting person. Child care expenses relating to lodging expenses at a boarding school or camp are limited to a maximum of $60 per week of attendance. Medical expenses or any other medical or hospital care, clothing, transportation, education or board and lodging, other than the maximum of $60 per week, are not considered to be child care expenses under this section.

2. Earned Income

Earned income of a taxpayer means the aggregate of all salaries, wages, gratuities and other remuneration from offices and employments, training allowances, scholarships, and bursaries (exceeding $500), and research grants, plus his/her income from active involvement in all businesses (whether a proprietorship or partnership).

3. Eligible Child

A child is an eligible child of the taxpayer if he/she is the child of the taxpayer or his spouse, or if he/she is a child in respect of whom the taxpayer has deducted an amount under section 109 of the Act for the year, and who is under fourteen years of age or, if over thirteen, is dependent because of mental or physical infirmity. This definition of an eligible child can include a child, a grandchild, a niece, a nephew, a brother, or a sister. It can include a legitimate, an illegitimate, or an adopted child. It can also include a child of the taxpayer's spouse, a daughter-in-law, son-in-law, or a person who is wholly dependent for support on the taxpayer, and of whom the taxpayer has custody and control.

4. Supporting Person

A supporting person, under section 63 of the Act, means a parent of the child, a spouse of the taxpayer, or an individual who made a deduction under section 109 of the Act in respect of the child, if he or she resided with the taxpayer at any time during the year and at any time within sixty days after the end of the year.

C. RECEIPTS

According to section 63 of the Act, receipts proving that payment was made for child care expenses should be filed with the minister. These receipts must be issued by the payee, and bear the social insurance number of the payee if the payee is an individual. This is the only requirement stated in section 63 of the Act. On the other hand, the "Child Care Expenses" pamphlet issued by Revenue Canada Taxation states that receipts should bear the date, name, address, and social insurance number of the payee, the amount and the purpose of the payment, and the name of the person from whom the payment was received. On schedule 5, which is to be filed with an individual's tax return to support the child care expense deduction, the name, address, and social insurance number, and the total amount of payments to that individual, must be indicated. The 1983 general tax guide issued with the personal tax returns indicates that receipts need not be filed with the return. They must, however, be retained for examination on request.

In conclusion, receipts must be available, and must bear the name, social insurance number and amount of payment as a minimum of information according to section 63 of the Act. Other guidelines provided by Revenue Canada Taxation regarding information required on the receipt appear to require more extensive information than that required by the act. It is not clear whether the receipts will be disallowed if they do not contain this additional information.

D. WHO MAY DEDUCT

Child care expenses normally must be deducted by the supporting person with the lower income. In the case of a couple with children, both members of the couple would be considered supporting persons if they are the parents of the children, or if they are married and one is a parent of the children. The supporting person with the lower income would be the one to deduct the child care expenses. An exception occurs if the supporting person with the lower income is:

a) in full-time attendance at a designated educational training institution, or;
b) certified by a qualified medical practitioner to be incapable of caring for the children for a period of not less than two weeks, by reason of mental or physical infirmity, or to be likely to be incapable of caring for children for a continued period of indefinite duration, or;
c) confined to a prison or similar institution for a period of not less than two weeks in the year, or;
d) separated from his or her spouse for a period of not less than ninety days commencing in the year.

In these cases, the taxpayer with the higher income may deduct the child care expenses according to the rules in sub-section 63(2) of the Act.

It should also be pointed out that, according to sub-section 63(2.1) of the Act, if the incomes of the supporting persons are equal before deducting the child care expenses or including social assistance payments or prescribed grants, such as the home insulation grant, in income then the individuals must jointly elect to treat one as having the higher income, or any claim for child care expenses will be disallowed.

E. LIMITS ON DEDUCTIONS

Child care expenses are limited to the least of:

1. $8 000,
2. $2 000 x the number of eligible children in respect of whom the child care expenses were incurred,
3. 2/3 of the taxpayer's earned income for the year,

less any amounts claimed by a supporting person with a higher income in accordance with sub-section 63(2) of the Act in respect of these eligible children.

The amount that the supporting person with the higher income may deduct according to sub-section 63(2) of the Act is limited to the lesser of the amount of the receipts for the period, or the lesser of the number of weeks during which the supporting person met the above conditions, times the lesser of

a. $240 or
b. $60 times the number of eligible children.

Two further limits should be noted. According to paragraph 63(1)(c) of the Act, an amount cannot be included in the computation if it has been included in computing another taxpayer's deduction. Also, according to paragraph 63(1)(d) of the Act, any amounts that have been reimbursed or will be reimbursed to the taxpayer cannot be included in the computation of the deduction.

F. COST OF CARE

Table 1

Child Care Costs

Age	0 - 1	2 - 5	6 - 13 1 period	6 - 13 3 periods
1 day/week	$ 936	$ 780	$ 300	$ 540
2 days/week	1 872	1 560	600	1 080
3 days/week	2 808	2 340	900	1 620
4 days/week	3 744	3 120	1 200	2 160
5 days/week	4 680	3 900	1 500	2 700
Daily cost	$ 18	$ 15	$ 3	$ 9

The above Table represents the Authors' assumed cost of child care. In actual fact, most parents in Canada are paying in excess of these amounts for child care. According to this Table, infant care is the most expensive, at $18 per day, with preschoolers (ages 2-5) costing $15 per day and school-age children $3 per period for before-school, noon, and after-school care. The cost on a daily basis would increase significantly for school-age children who require care before school, at noon, and after school. The Table shows two columns for school-age children: one giving the cost of one period of care per day and the other giving the cost of three periods of care per day. For school-aged children, it is assumed that they will be attending school 200 days per year, and will require full-time care the remaining 60 days per year when school is not in session during the summer months and also during normal holiday times such as Christmas. This has been taken into account in the columns for school-aged children.

G. SAMPLE SITUATIONS

In the following examples, it is assumed that the upper limits for child care expenses are exceeded unless otherwise stated.

1) Mr. and Mrs. A are married and have two children. They lived together throughout the year. Mr. A's income was $20 000, Mrs. A's was $21 000. Mr. A will claim the child care costs incurred, to a maximum of $4 000, because he has the lower income.

2) Mr. and Mrs. A separated during the year. They have two children. Mr. A's income is $20 000. Mrs. A's income is $19 000. They remain separated for four months. Mr. A, even though he is the supporting person with the higher income, could claim the child care expenses incurred during the four months of separation if he has the receipts to prove he incurred the expenditures. His claim would be limited to a maximum of $60 x 2 eligible children x 16 weeks or $1 920. Mrs. A would claim the balance of $2 080 of the child care expenses because her income is lower. In a situation such as this, if Mr. A does not have receipts because Mrs. A has incurred the expenses and has receipts, Mrs. A could claim the entire child care expense against her income even though she and Mr. A were separated for the four months. If Mr. and Mrs. A had separated in December of the previous year and reconciled in the current year, then the spouse with the lower income would deduct all child care expenses even if the separation was for more than 90 days, because it did not commence in that year.

3) Mr. and Mrs. A are married and have two children. They separated for a period of two months but then reconciled. Mr. A's income is $25 000 and Mrs. A's income is $20 000. Mrs. A would claim all the child care expenses, to a maximum of $4 000, because they were separated for less than 90 days, and because she has the lower income.

4) Mr. A. is a widow with two children. Mrs. A is a divorcee with one child. They both work and both incur child care expenses. They were married in October. Mr. A's income for the year is $30 000 and Mrs. A's income is $15 000. Because they married in October, all child care expenses incurred by Mr. A before and after marriage and all child care expenses incurred by Mrs. A must be claimed by Mrs. A only, because she is now the supporting person with the lower income. The child care expenses that could be claimed by Mrs. A would be limited to a maximum of $6 000. In this situation, even though Mr. A may have incurred $6 000 to $7 000 of child care expenses before he married Mrs. A, he still cannot claim them because as soon as he marries, his spouse becomes a supporting person of his children. As Mr. A is in a higher tax bracket, the deduction is considerably more beneficial to Mr. A than to Mrs. A. If Mr. and Mrs. A had planned the date of their marriage for tax purposes, it would have been more beneficial to wait until the beginning of the next year rather than to marry at the end of the year because the child care expense deduction is more beneficial to Mr. A than a spousal deduction for Mrs. A, based on her income while married. Couples planning the date of their marriage for tax purposes should take into account their child care expenses as well as their spouse's income. For childless couples, an end of the year date is likely to be better, but for couples with children, this could be an unfortunate choice.

5) Mr. A is a single parent with three children. His income for the year is $25 000. Mr. A is the only supporting person of the children. Therefore he would be the one to deduct the child care expenses to a maximum of $6 000 for the year.

6) Mr. A has three children. He is living common-law with Ms. T. Mr. A's income is $20 000 and Ms. T's is $15 000. If Ms. T is not the mother of any of Mr. A's children, if Ms. T and Mr. A are not married, and if Ms. T does not deduct an amount under section 109 of the Act for any of the children, Ms. T is not considered to be a supporting person of any of Mr. A's children, and therefore Mr. A would deduct any child care expenses incurred, to a maximum of $6 000.

7) If Mr. A and Ms. T have a common-law relationship and have two children as a result of that relationship, and Ms. T had one child previously, then Mr. A and Ms. T are supporting persons for their two children and Ms. T is the only supporting person of her child by a previous relationship. If Mr. A claims that child as a dependent under section 109 of the Act, he also becomes a supporting person of that child. Mr. A's income is $20 000 and Ms. T's is $18 000. If Mr. A has claimed all three children as dependents, Ms. T would claim all eligible child care expenses to a maximum of $6 000 for the year. If Mr. A has claimed only two of the children as dependents and Ms. T has claimed her child as a dependent, Ms. T would claim all child care expenses to a maximum of $6 000. If, however, Mr. A's income was less than Ms. T's income, he would claim the child care expenses, to a maximum of $4 000, for their two children and Ms. T would claim child care expenses for her child, to a maximum of $2 000 for the year.

8) Mr. A and Ms. T have a common-law relationship. Mr. A has three children and has an income of $30 000. Ms. T has no children. Ms. T is not a supporting person of Mr. A's children. Mr. A could pay Ms. T $6 000 in child care expenses which she would report as income and which he could claim as child care expenses. If this is Ms. T's only income, she would pay $144 in Canada Pension as a self-employed person, but she would pay no income tax for 1984 because her income is not high enough. Mr. A would save approximately $2 000 in taxes by doing this.

9) Mr. A and Ms. A are separated. Their separation agreement provides for joint custody of their two children, each having custody for six months of the year. In the year of separation, regardless of whether the taxpayers have joint custody of the children, the rules for separated persons as outlined in example 2 above will apply. In subsequent years, both Mr. A and Ms. A are supporting persons of the children because each is a parent of the children, but Mr. A is not a supporting person of Ms. A's eligible children, and vice versa, because they do not reside with each other. The rules allowing a deduction to the supporting person with the higher income as per sub-section 63(2) of the Act are therefore not applicable to Mr. A and Ms. A. The children are eligible children of Mr. A and Ms. A. Any child care costs incurred by Mr. A to enable him to work, etc. while the children are residing with him will be child care expenses as defined in section 63 of the Act. The same is true for Ms. A. Therefore Mr. and Ms. A can calculate their child care expenses independently of each other but in total it would appear that their combined deduction would be limited to $2 000 per child per year as per paragraph 63(1)(c), which states that an individual cannot make a deduction for child care expenses claimed by another taxpayer. It is possible that Mr. A and Ms. A each will incur child care expenses of $2,000 per child. If this is the case, they must decide how much each is going to claim so that their combined deduction is $2,000 per child. This could be inequitable to either or both parties.

There is no definition in the act for "resided with"; consequently a number of interpretations are possible. This allows the individual taxpayer considerable flexibility in claiming child care expenses. No specific written separation agreement, court order or other similar document giving joint custody is required to claim a deduction for child care expenses under section 63 of the Act.

H. INEQUITIES IN EXISTING LEGISLATION

The present cost of providing care for children far exceeds the maximum limit of $2 000 a year per child, if a child is in full-time care (see Table 1 - Child Care Costs). An individual working part-time could pay about $2 000 per year for child care for one child. An individual working full-time could pay $3 500 to $4 500 per child for care. Because of differences in job skills, both individuals could be earning the same gross wages, even though one works full-time and the other part-time. Both of these individuals are limited to a maximum deduction for child care of $2 000 per child, assuming they are not further limited by the two-thirds-of-earned- income rule. The person working full-time is paying for a good part of child care costs with after-tax dollars. In this situation, the existing legislation benefits the part-time high-income earner.

A family with one infant and two preschool children would probably pay at least (as per Table 1 - Child Care Costs) $12 480 for care; and a family with one preschool and two school-age children would probably pay at least $6 900 for care. Both families are limited to a maximum deduction of $6 000 per year because they each have three children. This is inequitable because, while both families have three children, the costs of care for those three children is different, yet the families are permitted the same deduction under the Income Tax Act. Again, part of the child care costs are being paid with after-tax dollars.

A taxpayer cannot deduct child care expenses if they are paid to a blood relative, an in-law, or an adopted child if that person is under 21 years of age. Parents cannot hire their brother/sister if he/she is under twenty-one, to care for their children, and deduct the costs as a child care expense even though this might be a legitimate child care expense. Because the parents cannot deduct these payments, receipts are not issued and the income is generally not reported by the caregiver.

Conversely, two individuals sharing a common-law relationship, one working and one non-working, could split their income for taxation purposes through the child care expenses deduction. That is, the working person is the parent of the children, that individual could pay to the non-working person, who is not related to the children and therefore not a supporting person of the children. The child care expenses would be fully deductible up to the $2 000 maximum limit per child.

If a self-employed individual has a loss for the year, the limit of two-thirds of earned income will apply, being zero in this case, and no child care expenses can be claimed because the child care expenses must be claimed by the supporting person with the lower income. There is no provision in the Income Tax Act for deduction of these expenses at a future time, as there is, for example, with business losses or charitable donations which cannot be utilized in the current year. This inequity increases the hardship to the family, already suffering because of income loss, because it is paying for child care with after-tax dollars. There is also no provision in section 63 of the Act for transfer of the deduction to another supporting person.

For an ordinary business, all reasonable expenses are deductible without limit. However, child care expenses incurred to earn income are limited to the lesser of $8 000, $2 000 per child, or 2/3 of earned income.

These limitations, which frequently do not allow the full deduction of reasonable child care expenses, discriminates against the employed taxpayer incurring these expenses, as opposed to the business person incurring business expenses.

The Act requires that child care expenses must be incurred to enable the taxpayer or a supporting person to work, attend school, carry out research, or receive training. The receipts required for proof of child care expenses indicate only the amount and date of payment. Payment could be made weekly, monthly, or yearly. There is no requirement for proof that the payment was for child care while the parent was working, attending school, doing research, or carrying out some other type of activity which would qualify the expenses as child care expenses. Therefore receipts obtained could be for care permitting parents to attend a social function.

For most children and working parents in Canada, care is provided in private homes. In a large number of these situations, receipts are not given by the caregiver. Consequently, a good percentage of families paying for care cannot claim the deduction. In order to circumvent this problem, some families obtain receipts from a neighbour's child, in order to be eligible to deduct expenses that may or may not have been paid, but probably were not paid for care while the parents were working. The neighbour's children have not earned sufficient income, even with these receipts, to disqualify them as dependents of their parents. This fraud is being committed because of the limitations imposed by the act. Consider the following example. Mrs. H takes care of Mrs. A's two children while Mrs. A works. Mrs. H does not want to give a receipt to Mrs. A for more than $490 (the limit before the spousal deduction is affected). Mrs. H has two daughters who also babysit for Mrs. A when they are not in school, and on weekends. Each of them is able to give Mrs. A a receipt for $2 540 without affecting their status as dependents of Mr. H. Most of the care provided while Mrs. A is working is being provided by Mrs. H, but the receipts are being provided by Mrs. H's daughters. The funds have actually been paid in this case, but not necessarily to the persons issuing the receipts.

Some families have children in care, and others old enough to care for themselves, but still under 14 years of age. Because the cost of care for the children in all likelihood exceeds $2 000 per child, but the family child care expense limit is $2 000 x the number of eligible children, the family can increase the upper limit on the child care expense deduction by including all of their children as eligible children even though all of those children did not receive care. For example, consider the family with two school-age children and two preschoolers. The older school-age child takes care of the younger school-aged child, so there are no payments to outside caregivers for the school-age children. The cost of care for the two preschoolers is $7 800. According to section 63 of the Act, the child care expense deduction is the least of the amount of payment - $7 800, $8 000, $2 000 x 4 eligible children, or 2/3 of earned income. Assuming the 2/3 of earned income rule does not apply, this family can deduct all of their child care costs, provided it has receipts.

For families with more than four children, the upper limit of $8 000 is inequitable. They are being penalized by the existing child care legislation for having a large family. The legislation, in effect, designates

four as the largest number of children a family should have in care. Because care today is not charged for on a family basis, a a large family pays more. In most types of care provided, there is seldom a decreasing cost scale for additional children in the same family.

The upper limit based on 2/3 of earned income is also inequitable in certain situations. A supporting person could be working temporarily at a low-paying job in order to improve earning power for the future, to maintain a job, or to stay off welfare. In the long run, the job that the supporting person has held will benefit the family. In the short term, however, the family is penalized by being limited to a child care deduction of two-thirds of the earned income. If, for example, the supporting person earns $7 800 per year and there are two preschool children and one school-aged child in the family requiring care at a cost of $9 300 for the year, the actual cost is more than 2/3 of the earned income. The deduction allowed is only $5 200 because of the limit of 2/3 of earned income, rather than $6 000 (based on the number of children).

It should also be pointed out that the complexity of the Income Tax Act causes many families to have difficulty completing their own tax returns, and consequently they may be missing the child care expense deduction.

The major inequity in the child care expense deduction is the tendency for individuals with higher incomes to receive a greater benefit because the deduction decreases the taxable income, and therefore the taxes paid at the highest marginal rate. For example:

1) An individual with a taxable income of $2 500 after deducting the $2 000 in child care expenses, is paying tax at a marginal rate of approximately 25 per cent, and will pay about $500 less in taxes.

2) An individual with a taxable income of $12 500 after deducting $2 000 in child care expenses is paying tax at a marginal rate of approximately 30 per cent, and will pay about $600 less in taxes.

3) An individual with a taxable income of $60 000 after deducting the $2 000 in child care expenses is paying tax at a marginal rate of approximately 50 per cent, and will pay about $1 000 less in taxes.

THE ALTERNATIVE: CHILD CARE TAX CREDIT?

To eliminate the greater advantages going to the higher-income taxpayers and numerous other inequities mentioned previously, it has been suggested that the child care expense deduction be abolished and replaced by a child care tax credit. This tax credit would be the same for all income levels, and would replace the child care expense deduction, which at present provides a greater saving to high-income taxpayers.

However, even under this scheme, many inequities persist:

1. This credit would be available only to those families which must pay for child care. However, the problem persists of being unable to obtain receipts, and thus unable to prove that the child care was paid for.

2. The child care tax credit should be based on the number of children receiving care. However, this provision does not solve the problem of claims made for children who are not receiving care, supported by receipts for care received by other children in the family.

3. The credit should be prorated, based on a percentage of the cost of care, to an upper maximum tax credit. This does not solve the problem of what that maximum should be, and whether it is reasonable for the care of all children.

4. The child care tax credit could vary, based on the age of the child, with the maximum child care tax credit going to infants to reflect the higher cost of care for infants, a lower child care tax credit for preschoolers to reflect the lower cost for preschoolers, and the lowest credit to school-aged children because of the lowest cost for school-aged children. However, this solution does not consider the family forced to send a child away to boarding school because commuting is not feasible (e.g. northern communities). The cost for board for that child will, in all likelihood, be even higher than the cost of infant care.

The only problem solved by a child care tax credit is the inequity of benefit for qualifying taxpayers, who would, under this scheme, receive the same tax credit, regardless of level of income.

While it would be difficult to design a child care tax credit legislation which would eliminate all inequities, the child care tax credit would be an improvement over the the present system of deduction. Because of the present fiscal restraints of government, it is not feasible to recommend an unlimited child care tax credit. At the same time, government spending is necessary to establish a sufficient number of quality child care facilities. It is essential for government to formulate new policy to ensure both a more equitable child care tax credit with an increase in transfer payments to the provinces for the purposes of increasing and improving licensed, supervised, non-profit child care facilities.

TYPES OF CARE AND THE DEDUCTIBILITY OF EACH

Child care is delivered in a variety of forms in Canada. These include:

a) licensed group day care centres:

   i) government run;
   ii) non-profit parent, employer or community run;
   iii) "for profit" commercial centres;

b) unsupervised private in-home care:

   i) live-in nannies;
   ii) sitter coming to parents' home daily;

c) private caregivers caring for children in their own homes:

   i) supervised;
   ii) unsupervised;

d) care by relatives;

e) nursery schools, camps and boarding schools;

f) babysitters - evenings and weekends.

A. LICENSED GROUP DAY CARE CENTRES

The majority of provincially-licensed approved day care spaces are found in group day care centres. The licensing criteria vary from province to province, but generally require a group of more than five children. Safety, health and nutritional standards are set out. In addition, in some provinces, educational standards for the day care worker are stipulated.

Group day care is available from a number of sources. In 1980, approximately 8% of centres were operated by municipalities in Ontario and Alberta.[1] Other day care centres are owned by employers, such as hospitals and universities, and operated for their employees. Some are run by non-profit groups - either community boards or parent co-operatives. In 1980, nearly 40% of day care centres in Canada were commercial centres.[2] Some of these are single centres, while others are part of huge corporate chains. The concentration of for-profit centres occurs in Alberta and Ontario, which share 71% of such day care spaces.[3] Commercial centres have been criticized for providing inferior care. Evidence indicates they spend 30% less per child than non-profit centres,[4] and that there may be some violations of provincial regulations.[5] Most provinces refuse to grant subsidies for these centres.

Licensed group day care appears to be the preference of the majority of Canadian parents of children aged two to six.[6] Parents believe that day care centres are better because they have trained and qualified staff, they are supervised, and they provide good social interaction and intellectual stimulation for their children.

However, licensed centre spaces are available only to approximately five per cent of the population.[7] Furthermore, licensed centres generally operate during traditional working hours, and therefore are not usually an alternative to in-home care for shift workers.

Clearly, there is a need to expand the number of licensed group day care spaces, and particularly the number of licensed infant care spaces of which there is an acute shortage. An expansion of hours to accommodate shift work is also necessary.

In Canada today, universally accessible, high quality, child care is not a reality. Child care and parenting is not recognized by society and government as a necessary role. Parenting and child-rearing should be viewed as fulfilling a necessary role for society.

A further concern relates to the cost of these spaces, even if they were available. The cost of unsubsidized licensed group day care is considerably higher than in-home care in the caregiver's home. Some group day cares are partially subsidized by government for all users, with a further subsidy available to low-income families. The cost of non-subsidized spaces is prohibitive. As a result, day care centres are used largely by two groups: families of upper and lower income extremes.[8] Family income, then, has been identified as the most significant factor affecting the use of group day care.

An advantage of licensed centres is that parents are able to obtain necessary receipts in order to claim the child care expense on their income tax return. However, the cost of such care, unless substantially subsidized greatly exceeds the allowable limit of $2 000 per child.

B. UNSUPERVISED PRIVATE IN-HOME CARE

One common private arrangement is care by a caregiver in the parent's home. This type of care varies from professionally-qualified nannies to teen-aged babysitters. Live-in arrangements also occur often with housework included in the sitter's duties. This type of care is often more expensive than care in the sitter's home, as the sitter is not free to do other work, or to look after other children. Consequently, studies have shown, there is a direct relationship between the income of parents and the choice of an in-home sitter: "The income of mothers who hired a live-in sitter was found to be the highest. The second-highest income was found to be that of mothers who hired daily sitters who came to their homes."[9] The same study confirms that a majority of these caregivers do not report their child care income for tax purposes. Parents were thus unable to obtain receipts necessary to claim the child care expense. There is, however, a higher percentage of receipts given in this classification than in the class where parents take their children to the sitter's home. The provision of receipts presumably reflects the higher cost of in-home care, and the view by caregivers that they are "employed." This type of caregiver is also more likely to provide developmental care to his/her charges[10] because he/she views his/her work as having greater responsibility attached to it.

Paragraph 63(3)(a) of the Act defines "child care expense" as an expense incurred for "child care services, including babysitting services" provided to enable the taxpayer to work, study, carry on a business or conduct research. The term "child care services" is not defined in section 63 of the Act, and household services are not specifically excluded. Certainly, it is reasonable to assume that child care services would include the child's laundry and bathing, as well as meals and other domestic services performed specifically for the child. If these services are being performed in the home together with other domestic services for the family as a whole, it is difficult to divide the wage received between the various services performed. If a babysitter does general housekeeping duties, should these be considered child care services? Answers will only come through case law, but to date no cases have been litigated. In any event, with the limit of $2 000.00 per child to a maximum of $8 000.00 in total allowed as the deduction, it could be argued that all of that income is attributable directly to the child care services.11

The result allows higher-income Canadians who can afford the higher cost in-home care, to receive a double advantage. The deduction is worth more to them than a lower-income taxpayer because of the nature of the progressive marginal tax system plus and they can receive the indirect advantage of having domestic services performed for them as well as child care, with a full deduction of expenses to the maximum of $2 000 per child, $8 000 maximum, providing they have sufficient earned income.

Section 63 of the Act allows deductions for "amounts paid." "Amount" is defined in sub-section 248(1) as "money, rights or things expressed in terms of the amount of money or the value in terms of money of the right or thing." Therefore, the taxpayer providing free meals or accommodation to a caregiver would logically be able to deduct the fair market value of these provisions. However, these are taxable benefits, the value of which would have to be included in the caregiver's income. As a result, payments in kind are rarely receipted, but rather considered as "perks" of the profession. This, however, is likely to change as more provincial legislation is passed setting minimum wages and working hours for domestic help, and maximum deductions allowed from such wages for room and board.

C. PRIVATE CARE AT THE CAREGIVER'S HOME

This type of care, both supervised and unsupervised, accounts for the majority of care spaces in Canada.

Most provinces require some type of licensing or supervision for family day care arrangements where more than five non-family children are cared for. Sometimes, as in Ontario, the licensing and supervision is carried out by licensed centres in the area. In other instances, family day cares are licensed and supervised by provincial or municipal authorities. Such supervision requires adherence to ratios, standards of health and safety, and other conditions of care. However, only a small percentage of family day care spaces are regulated.12

The majority of Canadian children are placed in unsupervised family day care arrangements carried on in the caregiver's home. The caregiver is often married, with small children of her own to attend. Sometimes, the caregiver is a friend or relative, though a Toronto study found that "only 10 per cent of the arrangements were made with caregivers whom the parents knew well."[13]

The quality of care received by children in unsupervised family day care settings varies considerably. Project Child Care found that family day cares generally provide adequate custodial care, but inadequate developmental care.[14] The same study found that the caregivers had low education levels, their attitudes to child rearing differed significantly from those of the parents, 25 per cent had chronic health problems which precluded other types of employment, and, typically, they did not view their caregiver roles as work and, as a result, did not feel that they should devote time to the developmental needs of the children in their care.[15]

Generally speaking, unsupervised family day care is the cheapest form of child care and the caregivers are atrociously underpaid. Evidence indicates that few private caregivers report their caregiving income for tax purposes and as a result, most, up to 85 per cent[16] refused to give receipts, such that the parents paying for care were unable to deduct the expenses from their income tax. It appears that one of the major reasons private caregivers give for not providing receipts is the potential loss of the spousal exemption to the caregiver's spouse. However, even if the spousal exemption were abolished, the caregiver's fear of having a taxable income would deter the giving of receipts as well.

D. CARE BY RELATIVES

Some child care is provided by relatives, either for remuneration, or free of charge. Care by relatives is a form of unsupervised carried on in the parents' home or in the relative's home. The difference between this type of care and those types previously described is the deductibility for tax purposes.

Section 63 of the Act allows the deduction if the child care is provided by a resident of Canada other than:

a) the parents of the child; or
b) a supporting person of the child as defined under paragraph 63(3)(d) of the Act, or a person under 21 years of age and connected with the taxpayer or his spouse by blood relationship, marriage or adoption; or
c) a person in respect of whom a deduction has been made under section 109 of the Act.

Sub-section 251(6) defines a blood relation as the taxpayer's children and their descendants, his/her parents and their ancestors and his/her brothers and sisters. Connection by marriage is defined as a taxpayer and spouse. Connection by adoption includes the taxpayer's adopted children and their descendants.

The rationale for the limiting provisions vis-a-vis younger relatives is avoidance of income-splitting within the immediate family unit, where control of the payments remains with the payer. However, this extension of the limitation beyond immediate family members is inequitable, as noted earlier in this discussion.

The section as presently drafted, provides that a legitimate expenditure for child care services incurred to earn employment income and paid, for example, to the taxpayer's 20-year-old sister will be denied, though it is doubtful that the taxpayer will continue to have control of the funds. In contrast, the taxpayer's sister in this example, is by law, forced to report the moneys paid as taxable income, and must pay taxes on same.

A further inequity is the permissibility of the child care expense if paid to a common-law spouse of the taxpayer, where that spouse is not the parent and not a "supporting person", as she/he has not made a claim to deduct the taxpayer's child under section 109 of the Act. There appears to be no reason why the taxpayer, Mr. A, cannot pay his common-law spouse, Ms. T, for child care, and deduct this expense in accordance with the formula set out in section 63 of the Act. If the taxpayer, Mr. A, were to marry Ms. T, Ms. T would automatically be considered a supporting person; not only would payments made to Ms. T by Mr. A not be deductible, but Ms. T's income would be considered to determine which of Mr. A or Ms. T would be entitled to a deduction. This provision clearly discriminates against married taxpayers.

Even when relatives do not fall within the limitations of sub-paragraph 63(3)(a)(ii), they often provide child care services for wages below those charged in arms-length circumstances, in exchange for withholding of receipts. Such an arrangement protects the caregiver's spouse's entitlement to the spousal deduction, and avoids the caregiver paying income tax.

E. NURSERY SCHOOLS, CAMPS AND BOARDING SCHOOLS

Paragraph 63(3)(a) includes, in its definition of "child care expenses", the services of day nurseries, or lodging at a boarding school or camp, provided that the services are used to enable the taxpayer, who resided with the child, to work, study, carry on a business or conduct research.

In order to limit deductions for expensive camps and boarding schools, which would clearly benefit upper-income taxpayers, a weekly limitation of $60.00 multiplied by the number of weeks' attendance, is imposed. The low minimum weekly deduction is not realistic, as it would be difficult to find accommodation and meals for a child for $60 per week. This cost, which obviously does not reflect true market value, is an arbitrary ceiling.

The Act continues to indicate that "medical, hospital, clothing, transportation or education or board and lodging (except as otherwise expressly provided in this paragraph) are not child care expenses."

It would therefore appear that parents could send a child to live at a private school, paying a separate fee for tuition and for room and board, and deduct all of the payments for room and board to a maximum of $60 per week, multiplied by the number of weeks the child was in attendance, or $2 000, or two-thirds of the taxpayer's earned income, whichever is the lesser. The present provision allows parents who would have sent their children to private schools and camps by choice and not out of necessity to receive a partial tax deduction.

However, this allowance also benefits parents of children in northern, rural and remote areas, who are forced to send their children to private schools in other communities out of necessity as commuting is not feasible. Consideration should be given to a provision restricting the expense of lodging at a boarding school to those instances where it is actually required and increasing the weekly limit. However, the definition of "required instances" and the policing of these would be difficult.

Paragraph 14 of Revenue Canada's Interpretation Bulletin 495, (which has not been updated since the most recent amendments to section 63 of the Act) clarifies some provisions of the child care expense as follows:

"The Department considers that the following payments qualify as child care expenses as defined by Paragraph 63(3)(1) of the Act:

a) amounts paid to a niece or nephew whether or not they are under 21 years of age, provided they are not claimed as a dependent by the taxpayer or his spouse (nieces and nephews are not considered to be connected to a taxpayer by blood, marriage or adoption);

b) amounts paid to a day camp attended by a child of the taxpayer;

c) amounts paid to a hockey school to the extent that they represent lodging to a maximum amount of $30.00 for each week attended (this should presumably be read as $60.00 since the recent amendments to Section 63 doubled all allowable expenses); and

d) fees paid to an educational institution for the purpose of providing child care services in respect of a child under the compulsory school age less any portion of the fee that relates to education, transportation, clothing or medical or hospital care.

The above does not constitute an exhaustive list of deductible child care expenses, and, in each case, the requirements of subparagraphs 63(3)(a)(i), and (ii) and (iii), as explained in Paragraphs 3 to 5 above, must also be met."[17]

F. BABYSITTERS - EVENINGS AND WEEKENDS

A further type of care utilized by most Canadian parents in conjunction with some other type of daily care during working hours, is the use of a casual babysitter to mind the children while the parents socialize, attend business functions or go back to the office after working hours. Usually, a teenager, neighbour or relative is engaged.

If the parent is, in fact, engaging the sitter to go back to the office in the evening, or to attend a work-related meeting or seminar, the expense can clearly be receipted and is deductible under the formula set out in section 63 of the Act. If the taxpayer is attending a purely social function, the child care expense is not incurred to allow the taxpayer to gain or produce income, and thus is a personal living expense and not deductible. There is sometimes a fine line between what is a business expense and what is a personal expense. It is impossible for Revenue Canada to police this segment of the law. Consequently, this area has led to considerable abuse by parents. This abuse occurs in part as a result of parents' inability to claim legitimate child care expenses either by reason of inequities in the drafting of the law, as pointed out previously, or by the taxpayer's difficulty in securing receipts from a regular caregiver. Filing claims for child care expenses incurred to allow the parents to pursue a social life compensates for this, in part.

G. CONCLUSIONS

Studies have shown that a majority of parents are dissatisfied with the care their children are presently receiving.[18] The type of care that parents want for their children is either not available, or too costly, so the majority of parents are forced to accept less desirable though more affordable forms of care, without the provision of a receipt. Most day care in Canada operates outside the income tax system, and indeed is encouraged to do so through the maintenance of the spousal deduction and inequities in the law as it is presently drafted.

The minority of Canadians who benefit from the child care expense deduction are those Canadians in upper-income levels who can afford in-home sitters and nannies, and those Canadians lucky enough to have found a space in a licensed group day care centre. Presently, Canada does not have, nor is it approaching, a universally accessible day care system.

DUTIES AND RESPONSIBILITIES OF PARENTS AND CAREGIVERS FEDERALLY AND PROVINCIALLY

A. IS THE CAREGIVER AN EMPLOYEE OR SELF-EMPLOYED?

It is up to the parent or supporting person to determine whether the caregiver is an employee or an independent contractor. It is important that the parent make the correct determination as the Income Tax Act requires the employer to deduct C.P.P., U.I.C. and income tax from employees, but not from independent contractors. The employer may face penalties as well as liability for the employee's share of these deductions if the appropriate funds are not withheld. Also, employees are fully protected by provincial employment legislation such as minimum wage and vacation pay, whereas independent contractors may not have such minimum guarantees. There is no clear definition under the Income Tax Act, nor is there any case law dealing specifically with the status of caregivers. The Revenue Canada handbook to employers states:

> Before deductions are made, the first step is to decide if the person being paid is an employee or, in other words, is there an employer-employee relationship. Generally, an employer-employee relationship exists where the person paying for the services has the right to control and direct the person performing the services. "Control" includes not only the result to be accomplished by the services but the means by which the desired result is accomplished. In other words, the employee is subject to the will and control of the employer not only in what shall be done but also in how it shall be done. It is not necessary for the employer actually to direct and control the manner in which the services are carried out; it is enough that the employer has the right to do so. Only a broad interpretation of the employer-employee relationship can be given here. Usually there will be no difficulty in determining whether someone is an employee. When there is any doubt either for Canada Pension Plan or Unemployment Insurance purposes, specific rulings as to whether such a relationship exists can be obtained from your District Taxation Office. Form CPT-1 "Request for a ruling as to the status of a worker under the Canada Pension Plan or Unemployment Insurance Act, 1971", and related questionnaires applicable to commission workers, home workers and other workers, are available for this purpose.[19]

This paragraph gives limited guidance. A person will normally receive this booklet only upon application for an employer tax number, thereby having already made the determination that she/he is an employer.

Revenue Canada has recently published a handbook entitled "Child Care Expenses - Income Tax - Family Services", which attempts to deal with the issue as follows:

> If you employ a babysitter, you may be wondering if you should deduct income tax, Canada or Quebec Pension Plan contributions and unemployment insurance premiums from the salary. The following criteria may help you in determining whether the babysitter is employed by you or self-employed. Generally speaking, the babysitter is considered to be your employee if the babysitter works at your home and you specify the work to be done; you pay the commuting costs and all other expenses incurred by the babysitter in the course of the work; you supervise and direct the manner in which the work is carried out; the babysitter must follow a schedule drawn up by you; the babysitter must devote all of the time to your children and is thereby prevented from doing any other paid work. On the other hand, if the babysitter exercises control over the number of hours of work, the premises and equipment used, and the manner in which the work is carried out, the babysitter is generally considered to be self-employed. Taken individually, these factors do not necessarily provide conclusive proof of the existence or absence of an employer-employee relationship. This is why it is always essential to take into account all the criteria for determining whether or not the babysitter is employed by you. The most important and most obvious of these criteria is the degree of control which you exercise over the babysitter. If you still have doubts because your situation differs from those described above, contact the nearest district office.[20]

This handbook is a useful guide to parents, although it is not conclusive, as most fact situations are in a "grey area" where parents exercise some, but not complete, control.

Generally, the law determining someone's status as employee, as opposed to self-employed worker, stems from the common law master-servant rules, as enunciated in Mercy Dock and Harbour Board v. Coggins and Griffith (Liverpool) Ltd.,[21] where it was held that, in an employer-employee situation: a) the relationship must be an engagement for pay; (b) the master must be able to demand proper attention from the servant under threat of dismissal; and (c) the master must have authority to direct and control the servant, whether or not such authority is utilized.

The most significant factor in determining whether someone is self-employed or an employee is the degree of control exercised. The employer must have the power to direct, not just what work is to be done, but the manner in which it is done. The employee in this situation has entered into a contract of service where the employee undertakes to obey all reasonable orders within the scope of employment.

From an analysis of the case law on the employee-versus-independent-contractor designation, it is clear that the following factors are pertinent to the discussion:

a) terms of the engagement - is it a formal contract? What status does the employee have from the engagement itself, if any?
b) mode of remuneration - is there compensation for holidays? for sick leave? If pay by salary alone, with a number of fringe benfits is contemplated, the arrangement leans toward a contract of service, as opposed to a contract for services.[22] However, the fact that an individual is paid a salary does not, in itself, mean that that person is an employee.[23] Conversely, the fact that an individual is paid on a commission basis does not necessarily indicate that he/she is an independent contractor.[24]
c) the power of the parent to dismiss or terminate the caregiver - the stronger the power of dismissal, the more likely the employer-employee relationship.
d) whether the caregiver must devote all her time to caring exclusively for the parents' child/children - this is a good indication of an employer-employee relationship.
e) where the caregiving is performed:

    i) if in the parents' house, with the parents providing all supplies, toys, food, etc., it is more likely to be an employer-employee relationship;
    ii) if in the caregiver's home, with the caregiver providing all toys, food, household supplies, etc., the caregiver is more likely to be an independent contractor.

f) the degree of control the parent has over:

    i) hours worked;
    ii) the caregiver's other activities;
    iii) where the care is delivered;
    iv) the mode of delivering care and specifically how the care is administered.

Generally, if the caregiver is engaged to care for the child, but is not expected to take and adhere to very specific directions and lists pertaining to delivery of that care, the caregiver is an independent contractor.

There is little consistency in the court decisions as the courts consider all the facts in each case. For example, a nurse working in a hospital was held by the courts to be an independent contractor,[25] but a psychiatrist working on a contract with the Province of Alberta was held by the courts to be an employee.[26] There appears to be little consistency in the decisions.

It would appear that a caregiver working in the taxpayer's home, having set hours and receiving explicit instructions regarding duties to be performed, is an employee; whereas a caregiver working outside the taxpayer's home as a worker in a centre, a day nursery or boarding school, is not always the employee of that centre, day nursery or boarding school, and not an employee of the taxpayer parent. A caregiver working in his or her own home with little instruction with respect to how to deliver care, would appear to be self-employed, with the status of independent contractor vis-a-vis the taxpayer parent. A caregiver working for a centre, still in her own home, under a program such as supervised family day care in Ontario, is most likely an independent contractor under contract with the supervising licensed day care facility.

B. PARENTS' DUTIES AS EMPLOYERS

It is important that the taxpayer parents make the correct interpretation or consult with Revenue Canada regarding the employee/contractor status of their caregivers, as paragraph 153(1)(a) of the Act requires that employer parents deduct tax, Canada Pension contributions and Unemployment Insurance premiums from caregivers' salaries and remit them to Revenue Canada. If these are not deducted and remitted, sub-section 227(8) of the Act requires that the taxpayer parents not only be liable for the tax that should have been paid by the caregiver, but also are subject to a penalty of 10 per cent. However, without more explicit guidance, it is difficult for taxpayers to determine the employee/contractor status of their caregivers. To rectify this problem, the Act should be amended either to define "employee" or to clarify paragraph 153(1)(a). Alternatively, an interpretation bulletin should be issued.

I. OBLIGATIONS UNDER THE INCOME TAX ACT

Once it is determined that the parent is an employer, he/she has the following obligations under the Income Tax Act:

1. To obtain a Revenue Canada Taxation number by calling the District Taxation Office of Revenue Canada and requesting that an application form be sent out. This form requires the following information:

   a) name under which the business operates;
   b) phone number;
   c) mailing address;
   d) location address;

e) address where books and records will be kept;
f) date business began operation;
g) duration of business operation;
h) estimated number of employees when in full operation;
i) what type of business;
j) type of business ownership;
k) if proprietorship or partnership, the social insurance numbers of owners;
l) name and address of business bank;
m) language in which correspondence desired;
n) signature.

An employer number is assigned and Revenue Canada provides form PD7A to use in submitting future remittances of unemployment insurance, Canada Pension and income tax.

2. Remittances of income tax, Canada Pension and unemployment insurance premiums are due on the 15th day of the month following the month in which wages were paid, payable either where the taxpayer banks, or by mail. The penalty for late remittances or failure to remit is 10 per cent of the amount deducted, plus interest on the amount deducted, at a per annum rate from time to time prescribed. An employer who fails to deduct tax that should have been deducted is liable to pay a penalty of 10 per cent on the amount that should have been deducted, plus interest on that penalty.

3. Notification of temporary discontinuance of deductions may be made by submitting form PD7AR, indicating thereon the date deductions are expected to resume.

4. A T4 slip must be provided to the employee by the employer on or before the last day of February in each year in respect of the preceding calendar year.

5. Every employer must file with the Source Deductions Section of Revenue Canada a T4-T4A Return Summary of Remuneration Paid on or before the last day of February. The penalty for late filing of the Summary is $10.00 for each day of default, to a maximum of $2 500.00.

6. Books and records must be retained for a minimum of six years from the end of the year to which they relate.

7. Employers must ask employees to fill out a TD1 form, which requires the employee's social insurance number, full name and address of employer, net claim code for deduction of income tax, and the signature of the employee.

8. Employers must ensure that employees have a social insurance number. Failure on the part of the employer constitutes an offence under the Unemployment Insurance Act, 1971, and makes the employer liable, on summary conviction, to a fine not exceeding $500.00, or imprisonment for a term not exceeding six months, or both. If an employee will not apply for a social insurance number, the employer must, nevertheless, make the deductions. A social insurance number can be applied for at any Canada Employment Centre.

9. An employer must issue a Record of Employment every time an employee experiences an interruption of earnings. This may occur when the employment has ended, when the employee is ill, injured, or pregnant, or when an employee has reached the age of 65. It must be issued within five days of the employer's becoming aware there has been an interruption of earnings. These forms may be obtained from any Canada Employment Centre.

10. The following deductions are required to be made:

    a) Income Tax - in accordance with the source deductions book for type of pay period and net claim code (net claim code is determined by information provided on the TD1 form).

    b) Canada Pension Plan - must be deducted from every employee who is between 18 and 70 years of age, who is employed in pensionable employment during the year, and who is not receiving a C.P.P. retirement or disability pension or other provincial pension plan benefits. The employer pays an amount equal to the employee's share; as of 1984, the maximum amount an employer may deduct from an employee is $338.40. Deductions are made based on type of pay period, according to tables provided in the source deductions book.

    c) Unemployment Insurance, (1984) - the premiums for employees in insurable employment are calculated at a rate of 2.3 per cent, that, is $2.30 for every $100.00 of insurable earnings, as set out in tables in the source deductions book. The employer's premium is 1.4 times this amount.

    Earnings for the purposes of calculating the above deductions include the value of free board, free living quarters, low-rent housing, personal use of an employer's automobile, interest-free and low-interest loans, or any other benefit received from the employer or enjoyed by the employee because of the employment, provided pecuniary remuneration is paid in addition to the non-cash benefits. Vacation pay is subject to premiums up to the maximum amount for the weeks concerned.

II. OBLIGATIONS OF EMPLOYER PURSUANT TO PROVINCIAL ACTS

In Manitoba, the employer must consider the Vacation Pay Act, the Employment Standards Act and the Workers Compensation Act. Sub-paragraph 2(1)(g)(iii.i) of the Manitoba Employment Standards Act exempts in-home babysitters from minimum wage laws, vacation pay and workers compensation, provided they do not spend more than 24 hours per week performing domestic services, other than child care, for the employer.[27] Also in Manitoba, employees can contribute to workers compensation if they choose, but contributions are not compulsory.

In Ontario,[28] homeworkers are excluded from employment standards provisions and workers compensation. Homeworkers are defined as "persons employed by a person other than a householder, to perform homemaking services for a household or a member of a household in a private residence of a

householder." However, Regulation No. 283, as amended effective February 6, 1984, requires nannies and domestics to be paid $3.35 per hour until October 1, 1984, and $3.50 per hour after that date, less a specified deduction for room and board, if applicable. The domestic or nanny is also allowed one free period of 36 consecutive hours and one free period of 12 consecutive hours in each week.

The definition of a domestic or nanny as set out in section 2, is (a) "a person employed by a householder as a domestic to perform service in the household, who works more than 24 hours a week," or (b) "a person employed by a householder as a nanny to rear a child who is a member of the household where the person is considered to be qualified to do so because of formal training or experience equivalent to formal training." If a parent employs, in the home, a caregiver who has no formal training or equivalent experience, it would appear that that caregiver would be exempt from this regulation and also from the Ontario Employment Standards Act, under the homemaker exemption.

A licensed centre employing caregivers must comply with minimum wage laws, vacation pay laws, notice provision and workers compensation, as these caregivers would not fit within the domestic or homeworker exemptions. In Manitoba, the minimum wage is presently $4.00 per hour; two weeks' paid vacation are presently required to be given to an employee as vacation pay for an employee of up to five years; and three weeks' paid vacation are required to be given to an employee as vacation pay for an employee employed for more than five years. Hours of work are limited to 40 hours per week, eight hours per day; otherwise, overtime payment is required in most instances.

In Ontario, an employee of a centre must be paid the normal minimum wage of $4.00 per hour, must work no more than eight hours a day to a maximum of 48 hours per week, with two weeks' vacation and 4 per cent of gross earnings as vacation pay.

C. DUTIES OF EMPLOYEES

The employee caregiver must:

1. obtain a Social Insurance Number;

2. file a TD1 form with the employer (if the employee wants deductions subtracted at a rate other than the basic rate which assumes no dependents). The TD1 form includes the employee's social insurance number, expected income, full name, address, and signature, as well as number of dependents being claimed;

3. file a personal income tax return by April 30 of the year following the taxation year in question, declaring employment income as per his/her T4 slip(s).

D. DUTIES OF PARENT IF CAREGIVER IS SELF-EMPLOYED

If the parent or supporting person determines the caregiver's status to be self-employed, the employer must:

1. obtain from the caregiver his or her social insurance number;

2. obtain a receipt for all child care expenses paid during the taxation year. Failure to obtain the above will usually disallow the parents' claim for the child care expense.[29]

E. DUTIES OF THE SELF-EMPLOYED CAREGIVER

The self-employed caregiver:

1. is entitled to deduct reasonable expenses incurred for the business, (more fully discussed later) and must, therefore, keep receipts for all expenses;

2. may also be required to make quarterly instalment payments of income tax, unless:

    a) tax is deducted at source from at least three-quarters of his/her net income;

    b) his/her chief source of income is farming or fishing;

    c) either federal income tax for the past year or his/her estimate of federal income tax for the present year does not exceed a base amount (in 1983 - $400.00);[30]

3. may also be required to make instalment payments of Canada Pension Plan contributions;[31]

4. must file a personal income tax return by April 30 of the year following the taxation year in question;

5. must ensure that he/she complies with all health, safety, zoning and licensing requirements of the municipality, city and province in which he/she operates.[32]

F. CONCLUSIONS

The above summary clearly demonstrates that treatment of in-home caregivers in Canada is not uniform from province to province. There is also little direction given to taxpayers in determining the difficult issue of "employee" versus "independent contractor" status. Excessive paperwork, regulations and penalties confront the employer and independent contractor.

PRIVATE HOME CHILD CARE AS A BUSINESS

This section considers the feasibility of establishing private home care as a business. The following factors are weighed:

a) revenue, based on the fees that could be charged and the number of children for which care could be given;
b) normal set-up costs;
c) Revenue Canada's requirements for the tax return;
d) expenses of private home day care;
e) effect of the business income on the caregiver's personal income tax position and on the caregiver's family income tax position;
f) Profitability of private home child care, monetary or otherwise;

A. REVENUE

In most provinces, licensing requirements exist for individuals wishing to provide private home day care, though it is uncertain whether these requirements are presently enforced, or whether it is, in fact, possible to enforce them. One common requirement sets the ratio of children to caregivers. In Manitoba, a single caregiver can care for a maximum of five children, no more than two of whom can be under the age of two. The following discussion of private home care assumes adherence to this regulation. The examples below are based on daily fees of $18 for children under two, $15 for children aged two to school-age, and $3 per period of care for school-aged children as set out in Table 1. The maximum number of children in care includes the caregiver's own children.

B. NORMAL SET UP COSTS

When a caregiver provides care in her own home for low pay, it is often not to her advantage to purchase all the equipment and supplies that a group day care facility might have. He/she may choose instead to use supplies and equipment already owned. Ideally, when the business is started, an inventory should be taken of all equipment, supplies, etc., to be used in the business, and fair value of those items determined. Equipment or larger items with a useful life of several years would be added to a capital cost allowance schedule. The expense claimed for most of these items would be capital cost allowance at a rate of 20% of the undepreciated value. For example, let us assume that the caregiver has a swing set, a tricycle, and a sand box, all of which have a useful life of more than one year. A fair market value that might be assigned to all of the equipment, taking into consideration its age and state of repair, might be $300. In the first year of business, this $300 would be depreciated at a rate of 10% or 1/2 of the normal 20% rate, or $30. In the second year, the remaining value of $270 would be depreciated at 20%, or $54. This pattern would continue as long as the business is operated. Other possible costs are the business name and a licensing fee, if the centre must be licensed to meet provincial and/or municipal requirements.

C. REVENUE CANADA'S REQUIREMENTS

In general, Revenue Canada requires that all expenses must be substantiated by an invoice, voucher or some other type of receipt indicating to whom the payment was made, the goods or services provided, the amount, and the date, as well as a cancelled cheque or receipt proving that payment was made. However, as will be explained in the subsequent section, many of the expenses related to home day care are difficult to substantiate in this manner.

One exception to this rule is a regulation for employees engaged in transport under which Revenue Canada will accept a maximum per-meal cost, without receipts, provided these employees meet certain conditions. If the employee wishes to claim expenses over this maximum, he/she must have receipts for all meals in the year. A similar arrangement would be reasonable for self-employed caregivers. For certain types of home care expenses - food, for example - it is more resonable to use a flat-rate charge, than to provide receipts.

Revenue Canada also requires that an income statement and a balance sheet be filed with the personal income tax return for each business undertaken by a self-employed individual. Unless the home caregiver is an accountant, or has some bookkeeping experience, this will be difficult to provide without professional help.

D. EXPENSES OF PRIVATE HOME DAY CARE

1. Food Expenses

It is difficult for a caregiver to separate expenses for the food she feeds her own family, and the food she provides to other children in her care. One simple, though not accurate, option is for the caregiver to allocate a portion of all grocery receipts as proof of food expenses for the day care business. Another alternative is to charge a flat-rate for each child in care, if Revenue Canada were willing to accept this scheme. A reasonable daily charge for snacks provided in the morning and afternoon, and a hot full-course meal at noon, is $2.00 per day per child, based on 1984 food costs.

2. Expense for Activity Materials

It is important to provide these materials such as toys, puzzles, craft materials, books, paints, crayons, etc., to develop a child's dexterity, self-expression, and pre-reading skills, and to satisfy his/her curiosity. A reasonable estimate for play equipment and large toys with a life of five years is $450 per child. For items such as paper, paint, crayons and glue, etc., that must be continually replaced, the cost per child per year is approximately $150. In total, the annual per-child cost is $90 (one-fifth of $450), plus $150 = $240.

3. Basic Supplies

These would include supplies for cleaning, laundry and first aid, as well as disposable products such as serviettes, utensils, paper plates, etc., for meal-times. The estimated annual budget per-child for these supplies is $40.

4. General Maintenance of the Home

Again, this is an area in which it is difficult to separate the cost of additional cleaning required to maintain rooms used by the children in care. The laundry expenses also will increase for the caregiver. Two methods can be used to compute this expense. If an outside cleaner is hired weekly to thoroughly clean the areas used by the children, as well as to do the laundry for the children, an expense is incurred in addition to the expense of cleaning supplies used by the hired individual. If the caregiver herself does all the cleaning and laundry, only the supplies can be calculated in the cost. The cost of hiring someone for cleaning can be estimated at $20 per week. This is based on a cleaning charge of $40 per week for a home, assuming that half of the house is used for child care. If it is assumed that the caregiver provides all the cleaning supplies, regardless of whether she performs the cleaning herself, or hires a cleaner, the cost of supplies will be incurred in either circumstance and can be estimated as in the preceding paragraph.

5. Operating Costs of the Home

The cost of operating the home itself must also be taken into account. Revenue Canada requires that a specific room or rooms in the residence be used exclusively for the business if they are to be claimed as a business expense. In a private home used also for day care, this condition is impossible to meet, because the kitchen, bedroom, bathroom and play area serve family as well well as day care functions. Based on the reasonableness criterion implemented by Revenue Canada in judging expenses, an acceptable formula for apportioning costs of operating the home might be:

the time that a portion of the house is used
times
the portion of the house that is used for child care
times
the total expenses of the home for the year.

The costs of operating the home includes utilities, property taxes, rent, interest on mortgage and insurance. If additional insurance is required to operate as a day care, for example, liability insurance, the full cost of that additional insurance would be deductible. Otherwise, only a portion of these expenses, based on the formula given, is deductible. For example, in rented accommodation, a caregiver provides care 9 hours a day, 5 days a week, using two-thirds of the rented home. She pays $400 per month in rent plus $600 for utilities, telephone and insurance. The formula for calculating her expenses would be:

45 hours per week of care / 168 hours per week
times
2/3 usage of the home
times
$5 400, the annual cost of operating the home.

Thus, the expense in this case would total $965.00. If the caregiver owns her own home, the rent expense would be replaced by the mortage interest and property taxes.

6. Capital Cost Allowance and Equipment

Equipment considered would include major appliances, such as stove, refrigerator, washer and dryer, and large play equipment such as a swing set or a fence. If items, such as a swing set, are claimed as expenses for activity materials, they cannot also be claimed here. If an individual starting a day care already owns the major appliances listed, the current value of these items and the portion of the items' use for business purposes should be estimated, assuming that they are for personal as well as day care use.

For example: if a caregiver does ten loads of wash per week, two of which are for day care business, one-fifth of the use is for the day care business, and four-fifths for personal needs. If the washer and dryer are valued at $500 at the time the business is started, the amount on which the caregiver could claim capital cost allowance would be $100 (1/5 of $500). In the year that the equipment is added to the capital cost allowance schedule, only one-half of the normal rate is allowed. In this case, the normal rate is 20 per cent. In the first year, the caregiver could claim only 10 per cent, or $10 (10% of 1/5 of $500), on the washer and dryer.

A similar formula would be used to calculate capital cost allowance on any other large equipment.

7. Automobile Expenses

If the caregiver uses her automobile in her day care business to take the children on field trips, etc., the portion of these expenses that she can claim would be:

that portion of the mileage driven for the day care business
divided by
the total mileage driven for the year
times
the total expenses of operating the automobile for the year.

Operating expenses for the automobile would include insurance, repairs and maintenance, fuel, oil, and licenses. If additional insurance is required on the automobile because of the day care business, that additional insurance is fully deductible. If a caregiver uses her automobile a total of 2 000 miles for business and drives a total of 12 000 miles in the year, one-sixth of her annual expenses of $900, or $150, would be the deduction allowed for automobile expenses.

For capital cost allowance, the caregiver would claim a portion based on a combination of mileage and time, and might arrive at a figure of 35 per cent business use, because the car is used frequently but with few miles being driven. If the car is valued at $3 000 when the business is started, the claim in the first year would be one-half of 30 per cent of $3 000, or $450, for capital cost allowance, times 35 per cent usage factor, or $157.50.

8. Other Expenses

Other expenses that may be incurred are the cost of:

stationery, such as receipt books and stamps;
public transportation if a car is not available;
admission and recreational activities;
fines at the library;

For any of the above, receipts should be kept. If not available, detailed notations as to date, cost, payee and activity should be maintained for claiming purposes.

E. THE INCOME TAX EFFECT OF THE HOME CARE BUSINESS

Table II illustrates income that can be expected from a day care business, depending on the number of children in care. Based on this level of income, additional information, such as the effect on the spouse's tax position, is also included to arrive at a family net after-tax income. Calculations assume that the caregiver receives payment for the children even when they are not in attendance because of holidays, sickness, or other reasons. Certainty of the expenses, such as food, are variable, depending on how many children are in care each day, while other expenses such as the cost of operating a home are fixed. While some of the expenses may be underestimated, others compensate for this by being generous estimates. The estimates used are based on comparative expenses obtained from the Wee Care Child Centre Carman Inc., a provincially-subsidized group day care centre in Manitoba. Adjustments have been made to accommodate differences due to economies of scale available to the group centre because of the larger number of children in care. The fee estimates are based on fees that would be charged for non-subsidized care. There may be considerable discrepancies in costs from one region of the country to another, but in general, Table II indicates that it is possible to realize an income from child care in the home, though not a large one.

To assist in reading the Table, consider the example of the caregiver providing care for two infants and three preschoolers. (The caregiver does not have children of her own requiring care.) The information for this example is presented in the right-hand column of the Table. Revenue generated is $21 060. Expenses, based on the data provided in the left columns, total $7 015, leaving a net income before tax, of $14 045. On this income, the caregiver must pay $434 for Canada Pension, and income taxes (in Manitoba) of $2 205, using 1984 tax rates, assuming there is no other income. The spousal

deduction will be lost to the caregiver's spouse. If the spouse's marginal tax rate is 30 per cent, the spouse's taxes will increase by $1 041. The spouse will also lose the transfer of his spouse's unused federal tax reduction of $200. In summary:

Net Income from business	$14 045
Tax Cost:	
Canada Pension	434
Caregiver's Income Taxes	2 205
Spouse's tax increase - loss of spousal deduction	1 041
- loss of spouse's federal reduction	200
	$ 3 880
Net increase in family's income	$10 165

F. PRIVATE HOME CARE - IS IT WORTHWHILE FOR THE CAREGIVER?

From a purely monetary standpoint, the caregiver in every situation is left with more cash than if he/she did not provide care to children. However, if increased record-keeping is necessary to file tax returns and the cost of those taxes are considered, the caregiver may not consider the return sufficient for the time and effort expended. It is also apparent if the home caregiver does not provide receipts. Assuming, then, that the income is not reported, he/she will be left with far more cash than if the income were reported and the taxes paid.

A related question is this: are the parents paying for child care that is not receipted and therefore not deductible, and paying the same amount as are parents receiving a receipt and claiming the expense? In some instances, fees charged by home caregivers are lower to compensate for the fact that they do not provide receipts. Scarcity of care for their children causes parents to take whatever is available regardless of price or whether they will receive a receipt.

Another pertinent issue is the ability of the caregiver to care for five children, five days a week without sick time, holidays, coffee breaks, or lunch hours. None of the standard employee benefits are available to the self-employed home caregiver. Furthermore, she must spend additional time, when the children are not in her care, shopping for groceries, doing the additional cleaning and laundry, and keeping financial records for income tax purposes. Is the monetary compensation sufficient for her efforts?

Some families need the additional income provided by a day care business. When receipts are not provided, it is a means to earn untaxed income. In some cases, the caregiver provides a receipt for the maximum amount which can be claimed; an arrangement which benefits the caregiver, while allowing the parents their deduction. This eliminates much of the record-keeping involved in a private day care business and in some cases the receipts issued will approximate the net income from the day care business.

G. CONCLUSIONS

A major concern with the child care expense deduction under section 63 of the Income Tax Act is the requirement that receipts be available as proof of the expense being incurred. In a large number of cases, where care is given in a private home, the caregiver is unwilling to issue a receipt, because he/she does not want to report the income. For the average person providing care in his/her home, there is considerable extra work involved to report that income and to claim all reasonable expenses for tax purposes. The income has a significant effect on the family's tax position. However, it should also be noted that the caregiver who does not report income is evading tax and, if apprehended, is subject to penalties under the Income Tax Act.

QUEBEC AVAILABILITY ALLOWANCE: AN ALTERNATIVE SCHEME?

A. HISTORY

In 1978, the "Conseil du Statut de la Femme" presented a brief to the Québec government entitled "Pour les Québecoises: égalité et independence." This brief advocated abolishing the spousal deduction for women under 35, phasing out of the spousal deduction over time for women over 35, and replacing these with a tax credit going to all parents of children under 12, with larger amounts going to parents of children under six, to reflect their higher cost of child care. The Parti-Québecois accepted this suggestion and embraced it as part of its campaign platform. Subsequently, the Parti-Quebecois, realizing how politically unpopular it would be to abolish the spousal deduction, and decided against this scheme. Without the funds that would have been available to government with the abolishment of the spousal deduction, the government was forced to institute a modified version of the original proposal.

B. THE PRESENT LAW

In 1982, the Parti-Québecois enacted Section 776.2 of the Québec Taxation Act, known as the "availability allowance." This allowance permits an individual with a child under six years of age on December 31 of a particular year, and for whom the individual received a family allowance, to claim an availability allowance as provided for by the regulations. This allowance will result in a refund to the taxpayer even if the taxpayer has not paid any income tax. The availability allowance is $300 for one child, $200 for the second child and $100 for each additional child.[33]

In order to obtain this availability allowance, an individual must file an income tax return, even if he/she has no taxable income and would not normally be required to file. In order to be eligible for the availability allowance, the individual must have received a Quebec family allowance. The Quebec Family Allowance Act is a voluntary act; persons who believe they are to be eligible must make application to the Quebec Family Allowance Board. The family allowance is granted to the mother[34] of the child[35] or, if there is no mother, to the father[36] of that child. If there is neither father nor mother, it is granted to the individual who wholly or substantially, maintains the child.[37] In addition, the recipient of the Quebec family allowance must have had his/her principal residence in Quebec during that month.[38]

Thus, as a result of the requirement that an individual must have received a Quebec family allowance to be eligible to apply for the availability allowance, and as a result of the rules for entitlement to the Quebec family allowance, the availability allowance is normally claimed by the mother.39

Once an individual has elected to claim the availability allowance, no deduction in computing income under section 351 (child care expense deduction), of the Quebec Income Tax Act may be claimed in respect of that child.

C. SECTION 351 - "CHILD CARE EXPENSE DEDUCTION"

Section 351 of the Quebec Taxation Act provides for a deduction in computing income or expenses incurred for the purpose of providing child care services, babysitting services, day nursery services and lodging at a boarding school or camp (hereinafter called "child care expenses"). The Quebec child care expense deduction has requirements similar to those of subsection 63(1) of the Income Tax Act (Canada), except that the maximum deduction in Quebec is $6 000 instead of the $8 000 allowed under federal legislation.

The child must be the child of the individual who wishes to deduct the child care expenses incurred, and that individual must have custody of the child. A child is defined, under section 1 of the Act, to include a child of the taxpayer's spouse and a person under 21 who is wholly dependent on a taxpayer for support and who was in the custody of the taxpayer during the taxation year.

The current provisions of the Act, which restrict the deduction in computing income of child care expenses for men and women, are similar to provisions that existed in the Income Tax Act (Canada) before the most recent amendments.

The Quebec Minister of Finance, in his budget of May, 10, 1983, indicated that he would adopt the changes adopted by Parliament in S.C. 1983-84 c.1 (formerly Bill C-2) with respect to the deduction, in computing income, of child care expenses. Officials in the Quebec Department of Finance have indicated that these proposals would be included in the next budget, probably this fall. These proposals provide for the removal of the custody requirement and the elimination of the gender distinction.

Pursuant to Section 356.1 of the Act, an individual may elect, in respect to children under the age of six, to obtain an "availability allowance" (referred to in Section 776.2) instead of deducting child care expenses, in computing income. If the individual so elects, the number of eligible children used for calculation of the upper limit of the child care expense will be reduced by the number of children for which the availability allowance is claimed.

D. ANALYSIS OF THE AVAILABILITY ALLOWANCE VIS-A-VIS THE CHILD CARE EXPENSE DEDUCTION

1. In order to claim the child care expense deduction, an individual must have actually incurred child care expenses, and must be able to provide a receipt for these expenses, giving the caregiver's social insurance number. The deduction is restricted to two-thirds of earned income and must have been incurred by the taxpayer in the course of earning business or employment income. In contrast, the availability allowance requires only that the individual has received family allowance payments for that child, and that the child is under six on December 31 of that year.

   Thus, parents who have not incurred child care expenses40 deductible under Section 351, or parents unable to obtain a receipt from their caregiver, can automatically claim the availability allowance.

2. Also, parents whose taxable income is very low, or who do not have a taxable income and therefore cannot take advantage of the child care expense deduction, are able to claim the availability allowance.

3. If parents earn a low income and receive provincial subsidization so that they do not personally incur child care expenses, they can elect to claim the availability allowance.

4. As it is the mother who is, in most instances, allowed to claim the availability allowance, parents can in the future, after the amendments are passed to adapt the Quebec Act to the federal Act, choose the allowance rather than the child care expense deduction in instances where the mother's income is very high, but the father's income is very low, or a negative figure, making father unable to claim the child care expense deduction.

5. There are no provisions in the Family Allowance Act for separated or divorced persons. If the father has custody of the child, he must choose the child care expense deduction, because he is not entitled to the availability allowance for the child under the Quebec Family Allowance Act.

   The income received by individuals claiming the availability allowance is not considered taxable income by the Quebec or federal governments. It has been calculated that between 75 and 80 per cent of parents in Quebec claim the availability allowance, and only 20 to 25 per cent claim the child care expense deduction.

E. PROBLEMS WITH THE AVAILABILITY ALLOWANCE

1. In order to determine whether to claim the availability allowance or the child care expense deduction, families must calculate which is more advantageous to them. This can be a problem for parents with little education, who cannot afford professional assistance.

2. The cost of the availability allowance is prohibitive. The Quebec government estimated that, in 1983, it would spend $130 million on the availability allowance, whereas in 1983 it spent only $84.1 million[41] on all other child-care-related expenditures. The direct result of the cost of the availability allowance is that the Quebec government has no further funds available to allocate to expanding existing child care services. It is estimated that in 1983, while 284 500 children under six required child care services, there were only 25 260 licensed day care spaces available. For children between six and 11 years of age, only 10 100 spaces were available for 197 500 children.

   In addition, subsidized aid to low-income parents has fallen behind the actual cost of day care by as much as $4.00 to $5.00 per day.

In view of the shortage of licensed day care spaces, and the limited fiscal resources available for child care, the broad "availability allowance", available to all without proof that child care expenses were actually incurred, does not appear to be the most equitable and logical manner of expending the taxpayers' dollars.

AUDITING PROCEDURES OF REVENUE CANADA

Any taxpayer making a claim for child care expenses could be subject to a review by Revenue Canada. Taxpayers are selected for audit on a random basis, and requested to substantiate their child care expenses by sending the receipts to Revenue Canada. According to section 63 of the Act, receipts proving that payment was made for child care expenses must be issued by the payee (caregiver), and must contain the social insurance number of the payee if the payee is an individual. This is the only requirement stated in section 63 of the Act. Revenue Canada's position, if the caregiver does not have a social insurance number is not clear. Other forms and publications of Revenue Canada indicate that additional information is required. The "Child Care Expenses" pamphlet in the Income Tax Family Series shows that a receipt should bear the payment date and amount, the name of the parent from whom the payment was received, that it was for child care services, and the signature, name in print, address, and the social insurance number of the caregiver. Schedule 5, to be filed with the individual's tax return to support the child care expense deduction, requires that the name, address, social insurance number, and the total amount of payment to an individual must be indicated. The 1983 general tax guide issued with personal tax returns and the "Child Care Expenses" pamphlet state that receipts need not be attached to the income tax return when it is filed, but must be retained for examination on request. If the taxpayer is randomly selected for audit of the child care expenses, the receipts as requested must be sent to Revenue Canada.

The social insurance number of the caregiver is required for purposes of cross-reference in ensuring that the income has been reported. This cross-reference may or may not be done with every audit of a randomly selected taxpayer claiming child care expenses. Where child care expenses are paid to individuals without social insurance numbers, (camps, group day care centres or other organizations not having social insurance numbers), any cross checking must be done using the name and address which is also required.

If a taxpayer so chooses he/she could claim child care expenses actually paid but for which a receipt has not been issued and take the chance of being audited. It is also possible that even if audited, the expenses would be allowed if they could be proven by cancelled cheques, and if the taxpayer could provide Revenue Canada with the full name and address of the caregiver. However, the taxpayer must be concerned with the caregiver's position and the possible withdrawal of services by the caregiver if this situation occurs.

Revenue Canada also has a section which investigates charges from individuals that another individual may not be reporting income or may be claiming invalid expenses. It is possible that a caregiver or parent may be subject to audit because he/she has been reported to Revenue Canada by an individual concerned that he/she may not be reporting his/her income fairly.

In summary, Revenue Canada can select for examination, on a random basis, any taxpayer who has claimed child care expenses. The caregiver shown on that taxpayer's return may or may not also be audited to ensure that the income is reported by the caregiver. Revenue Canada will also investigate any taxpayer who has been brought to its attention for one reason or another. It remains unclear whether receipts required for substantiation of child care expenses must contain the minimum information required by section 63 of the Act, or all the information required in the "Child Care Expenses" pamphlet. Because the review of the receipts and of the tax return is carried out by individuals, the human element comes into play: what is allowed or disallowed by one district taxation office may be treated differently by another office, or two different auditors in the same district taxation office may interpret a rule differently.

RELATIONSHIP OF CHILD CARE DEDUCTION TO CHILD TAX CREDIT

While it is not the purpose of this paper to discuss at length the mechanics of the child tax credit, a simple explanation would be beneficial. The existing child tax credit allowed a claim in 1984 of $367 per eligible child as defined in paragraph 122.2(2)(a). The amount of the claim is reduced by five per cent of the amount by which the combined net incomes of the individual making the claim and the supporting person as defined in paragraph 122.2(2)(b) exceed $26 330. Child care expenses are deducted before determining net income. Therefore the net income used to determine a family's entitlement to the child tax credit already reflects the expense of child care, subject to the maximum limit restrictions of section 63 of the Act, which is a significant cost for working parents.

It should be pointed out that the definitions contained in the Income Tax Act for "eligible child" and "supporting person" are very different in sections 63 and 122.2 of the Act, which relate to the child care expense deduction and the child tax credit respectively.

The child tax credit is equitable, in that child care expenses are deducted in determining net income, and therefore do not adversely affect the child tax credit for a family.

It is also important to note that, while all families with children could qualify for the child tax credit (subject to income limitations), only those families with receipts for qualifying child care expenses can claim the child care expense.

SUMMARY

The rationale for allowing a deduction for child care expenses is two-fold.

First, child care expenses are legitimate expenses incurred by taxpaying parents to gain or produce income, and therefore should be deductible.

Second, parents are fulfilling an obligation to society in raising children, and society has an obligation to assist them in this costly endeavour. Traditionally, child care expenses have been viewed as personal expenses. Consequently, limits have been placed on the deductibility of child care expenses, though these limits are not normally placed on the deductibility of other expenses.

Section 63 of the Act allows a deduction for child care expenses incurred in order to allow parents to obtain income from employment, from a business, or to conduct research or study. The law, as it is presently drafted, has been demonstrated to treat taxpayers inequitably. Some of these inequities include:

1. The upper allowable limit of $2 000 per child to a maximum of $8 000 discriminates against families with more than four children. It does not allow a deduction for the full cost of full-time child care currently paid by most Canadian parents, thus forcing taxpayers to pay large portions of their child care expenses with tax-paid dollars. It discriminates against full-time workers who experience higher costs of child care than part-time workers. Because the allowable deduction for all children is the same, it discriminates against families with infants and toddlers, and favours families with school-aged children, since the cost of care for infants and toddlers is normally much higher than that for school-aged children.

2. The two-thirds-of-earned-income provision discriminates against individuals starting out in a profession (i.e. interns, articling students) and other persons with low incomes.

3. Because the child care expense is set up as a deduction from income rather than as a tax credit, higher-income Canadians who pay taxes at a higher marginal rate receive a greater benefit, because the deduction is worth more to them than to lower-income Canadians.

4. The restrictions in employing certain relatives under age 21 discriminates against taxpayers who have legitimately hired such relatives as their caregivers. It also discourages taxpayers from employing relatives under the age of 21.

5. The definition of "supporting person" discriminates against married persons and benefits persons living in common-law relationships. The lower-income earner of a married couple must declare the child care expense. However, in certain circumstances, the parent of a child in a common-law relationship can claim the expense even if he/she is the higher income earner in the common law relationship; that parent can also, in certain circumstances, pay his/her common-law spouse for providing child care.

6. The provisions requiring the supporting person with the lower income to deduct the child care expense discriminate against taxpayers where one taxpayer has a loss or an extremely low income, making him/her ineligible for the full deduction. The provisions also discriminate against all taxpayers paying for child care, as they further reduce the value of an already inadequate deduction.

7. Although not legitimate, taxpayers who have employment income or who are students, but have not incurred child care expenses to earn that income or to study, could claim child care expenses based on receipts obtained for child care for social outings.

8. The inclusion of board at a "boarding school" as an expense, without any requirement that the parents prove it was necessary for the child to attend a boarding school, favours higher-income earners who can afford to send their children to private schools by choice.

9. Since "child care services" are not defined, parents who can afford private caregivers to come into their homes could benefit by claiming the entire cost for child care services, even though these may include domestic services.

Child care in Canada takes a number of forms, including licensed group day cares, unsupervised private home care in the parent's home, private caregivers caring for children in their own homes, care by relatives, care in a nursery school, camp or boarding school and care by occasional babysitters. Presently, most Canadian parents requiring care for their children obtain it through some form of unsupervised, informal care. For the most part, this care is by a caregiver in the caregiver's home or in the taxpayer's home, or by a relative.

Most parents using unsupervised, informal care are dissatisfied with their present arrangement and would prefer to have their children attend a supervised licensed group day care. These parents are unable to obtain the type of care they desire because of an extreme shortage of licensed group day care spaces, the high cost of such care, and the inflexibility of the hours during which centres operate.

The majority of taxpaying parents who pay for child care are unable to obtain a full or partial receipt from the caregiver. As a result, most of them arrange their child care outside section 63 of the Act, and pay their child care in tax-paid dollars.

The taxpaying parent entering into an arrangement with the caregiver must first determine whether it is an employer-employee or an independent contractor relationship. The primary factor determining the status of a caregiver is the amount of control excerised by the parent over the caregiver, and over the way the caregiving is administered. Generally, a caregiver working within the parents' home is an employee, while a caregiver delivering care in her own home is considered an independent contractor.

If it is determined that an employer-employee relationship exists, the parent employers must comply with a range of rules and regulations pertaining to federal income tax and provincial standards. In the event that the employers do not comply with these rules and regulations, severe penalties could ensue.

If it is determined that an independent contractor relationship exists, the caregiver contractor is faced with a similar quantity of paperwork, and with the responsibility to ensure that he/she complies with all requirements of Revenue Canada and provincial regulations, under threat of penalty.

The caregiver providing care in her own home is self-employed; as such, she must declare all of her income, and can legitimately deduct reasonable expenses. Such reasonable expenses should include set-up costs, food expenses, activity materials, basic supplies, maintenance of the home, operating costs of the home, capital cost allowance on equipment, automobile expenses and other expenses actually incurred in the operation of the caregiving business.

However, it is often difficult for the caregiver to separate business expenses from personal expenses, and to document them and obtain the necessary receipts. The accounting requirements might exceed the caregiver's ability, making the assistance of a professional accountant necessary.

If a caregiver does declare all of her income from caregiving for tax purposes and deducts allowable expenses, he/she will usually be left with a profit, and probably some taxable income. As a result, the caregiver may have to pay some tax and his/her spouse may also lose all or part of the spousal deduction. Caregivers are underpaid, considering the duration and kind of work they perform. The combination of this low return, together with the adverse income tax implications of declaring their income and the onerous bookkeeping requirements necessary to claim and document business expenses, encourages the caregiver to withhold receipts from parents.

The Quebec government attempted to alleviate the problem encountered when parents cannot obtain receipts, by instituting an availability allowance which can be claimed without the production of receipts. Parents in Quebec can elect to claim either the availability allowance or the Quebec child care expense deduction for each child. The availability allowance is chosen by a large majority of Quebec residents, including parents who cannot obtain receipts, parents who did not incur child care expenses, low-income parents, parents whose child care is highly subsidized, and couples in which the mother has a very low income (as it is the mother who usually is allowed to claim the availability allowance).

As a result of the large number of Quebec parents claiming the availability allowance, the program is costly. Consequently, the government does not have funds for increasing the number of licensed day care spaces or for further subsidizing and improving existing spaces. The direct result is that the child care system in Quebec is less able to meet parents' needs for child care.

The consequence of the inequities in the present legislation, coupled with the lack of availability and accessibility to licensed group day care and the inability of paying parents to secure receipts for child care actually expended, tempts parents to attempt to commit fraud. This fraud is achieved by falsifying receipts, by using receipts obtained from care provided to enable parents to pursue social activities, or by trading receipts. Revenue Canada has the power to demand receipts for audit purposes from any taxpayer who has claimed the child care expense deduction. It can also cross-check the caregiver's return, since the caregiver's social insurance number, name and address must be provided to ensure that the caregiver has reported the income.

A more efficient system would be some type of child care tax credit, available to working or studying parents, which would reflect the true cost of child care for various types and ages of children. The drafters of this child care tax credit would have to ensure that the built-in inequities in the present deduction were not also inherent in the proposed tax credit.

It is also essential that governments spend more dollars to improve the availability and accessibility of high-quality licensed group day care for Canadian children. This is the type of care desired by parents for their children, but which is available only to a privileged few.

APPENDIX A

PROVINCIAL LEGISLATION AFFECTING CAREGIVERS

British Columbia:	No specific information concerning babysitters. Minimum wage for a homemaker or a domestic is $29.20 a day or part thereof.
Alberta:	Domestics in private homes are exempt from Employment Standards Legislation and are considered to be self-employed.
Saskatchewan:	Domestics in private homes are exempt from Employment Standards Legislation unless the employer is receiving some provincial, municipal or federal grant or wage subsidy. Hours, however, are limited to 40 per week and the caregiver is entitled to vacation pay.
Québec:	Hours of work of a domestic are limited to 53 per week instead of the regular limit of 44. Otherwise, employees whose main duty is child care are exempt from all Employment Standards legislation.
Nova Scotia:	Domestic servants in private homes are exempt from the Labour Standards Code, as are employees of playgrounds and summer camps.
Prince Edward Island:	Exempt from Employment Standards Legislation are "persons employed for the sole purpose of protecting and caring for children in private homes."
Newfoundland:	Domestics are exempt from Employment Standards Legislation, but every employee 16 years of age and over employed as a domestic in a private home must be paid $2.25 per hour and 4 per cent of gross earnings as vacation pay.

Table II: Tax Cost to Caregiver and Caregiver's Family

Age	0-2	2-6
Fees	$18/day	15/day
Per year	$4 680	$3 900

Number of Children in Care							
Infants		1	1		1	1	2
Preschoolers			1	2	2	3	3
Total Children		1	2	2	3	4	5
Revenue		4 680	8 850	7 800	12 480	16 380	21 060
Expenses:							
Food - $2/day/child		520	1 040	1 040	1 560	2 080	2 600
Activities - ($450/5+150)/child/year		240	480	480	720	960	1 200
Basic Supplies - $40/child/year		40	80	80	120	160	200
General Maintenance - $20/week		1 040	1 040	1 040	1 040	1 040	1 040
Operating Costs							
- rent	4 800						
- insurance	300						
- telephone	150						
- utilities	600	1 045	1 045	1 045	1 045	1 045	1 045
Capital cost allowance							
frig, stove, washer, dryer -							
$1500 x 20% business use x 20%		60	60	60	60	60	60
play equipment							
$500 x 50% business use x 20%		50	50	50	50	50	50
Automobile							
annual expense -							
$1500 x 17% business use		255	255	255	255	255	255
capital cost allowance -							
$3000 x 35% business use x 30%		315	315	315	315	315	315
Other - $50/child/year		50	100	100	150	200	250
Total expenses		3 615	4 465	4 465	5 315	6 165	7 015
Net income for the year		1 065	4 115	3 335	7 165	10 215	14 045
Canada Pension - self-employed		0	76	48	186	296	434
Caregiver's income tax (Manitoba 1984)		0	0	0	361	1 146	2 205
Spouse's tax increase - loss of							
- spousal deduction 30%		173	1 041	839	1 041	1 041	1 041
- spouse's federal tax reduction		0	5	0	200	200	200
Tax cost to family		173	1 122	887	1 788	2 683	3 880
Net increase in family's income		892	2 993	2 448	5 377	7 532	10 165

NOTES

1 National Day Care Information Center. "Status of Day Care in Canada, 1980," Ottawa, National Health and Welfare, 1982.

2 Ibid.

3 Ibid. As cited in "Better Day Care for Canadians: Options for Parents and Children"; Canadian Advisory Council on the Status of Women, 1982.

4 Julie White, "Review of Federal Government Legislation on Day Care," unpublished review for Status of Women Canada, June, 1981, p. 38-39, as quoted in "Better Day Care for Canadians," Canadian Advisory Council on the Status of Women, op.cit. p. 18.

5 Ibid.

6 L. Johnson - University of Regina, Sample Survey and Data Bank Unit, "Survey of Child Care Preferences," 1980; Jan Whitbread, "Who's Taking Care of the Children?" Family Circle, February 20, 1979; L. Johnson, "Who Cares?" A report of the Project Child Care Survey of Parents and Their Child Care Arrangements in Metro Toronto, Community Day Care Coalition and the Social Planning Council of Metro Toronto, November, 1977.

7 "Better Day Care for Canadians," Canadian Advisory Council, August 1982, op.cit. p. 9. Spaces may have increased somewhat since these statistics were calculated.

8 Ibid. p. 10-11.

9 Anna Fraser, "The More You Have, the More You Get," July, 1978, Children's Day Care Coalition and the Social Planning Council of Metro Toronto, p. 18-19.

10 "Better Day Care for Canadians," op.cit. p. 20.

11 For example: If the taxpayer has only two eligible children and is paying a nanny $700 per month or $8 400 annually, the deduction of $4 000 would undoubtedly cover only the child care. However, if the taxpayer has four eligible school-age children, the deduction of $8 000 is probably not for child care only, although it is an allowable expense.

12 In 1979, it was estimated that less than 2% of children were in supervised family care. See "Better Day Care for Canadians," op.cit. p. 8.

13 Ibid. p. 8.

14 Ibid. p. 19.

15 Ibid. pp. 19 and 20.

16 Anna Fraser, "The More you Have, the More You Get," op.cit. p. 17.

17 I.T. 495, paragraph 14.

18 "Better Day Care for Canadians," Canadian Advisory Council, op.cit. p. 22.

19 Canada Pension Plan Contribution and Unemployment Insurance Premium Tables, including instructions to employers, 1984, Revenue Canada Taxation, p. 8.

20 "Child Care Expenses," Income Tax, Family Series, December 1983, pp. 7 and 8.

21 115 L.J.K.B. 465 (1949) ALL E.R. 345.

22 Boardman v. Her Majesty the Queen, Federal Court Trial Division, 79 D.T.C. 5110.

23 No. 361 v. M.N.R. (Tax Appeal Board) 56 D.T.C. 478.

24 Regina v. Mac's Milk Ltd. (1973) 6 W.W.R. 598.

25 Gertrude Isaac v. M.N.R. 70 D.T.C. 1285 (Tax Appeal Board)

26 Boardman v. Her Majesty the Queen, Federal Court Trial Division, 79 D.T.C. 5110.

27 For a list of provincial legislative requirements in other provinces, see Appendix A.

28 Ibid.

29 In Grodsky v. M.N.R. (T.R.B.) 78 D.T.C. 1273, the Board ruled that the social insurance numbers of babysitters were not necessary where the taxpayer was unable to obtain the information since the individuals concerned had left the country. Cancelled cheques payable to and endorsed by the individuals were sufficient to allow the deduction.

30 Note that interest is charged on late or deficient instalments at the prescribed rate. Form T7B may be obtained from Revenue Canada.

31 Ibid.

32 In Manitoba, the Provincial Child Day Care Act requires all family day care homes to be licensed, but exempts private day care homes. Private day care homes are defined as "day care provided or offered, either alone or in combination with parental care, at any time in the home of the person providing or offering the day care to not more than four children, including children of other persons, of whom not more than two are less than two years of age." However, there are no policing powers in the act, so few licences are issued to family day care homes. Parents taking their child to a family day care home are entitled only to a low-income provincial subsidy if the family day care home is licensed. A similar situation exists in Ontario re subsidized funding.

33 Quebec Taxation Act, Section 776.2, Regulation R1.

34 Mother is defined as "a person who takes care of a child of whom she is the mother or the step-mother," Section 1(c) of the Family Allowance Act, Quebec Statutes, Chapter A.17.

35 Child is defined as "an unmarried child less than 18 years of age," sub-section 1(b), Family Allowance Act, Quebec Statutes, Chapter A.17.

36 Father is defined as "a person who takes care of a child of whom he is the father or the step-father," Section 1(d), Family Allowance Act, Quebec Statutes, Chapter A.17.

37 Ibid. Section 2.

38 Ibid. Section 6.

39 Note: There does not appear to be any provision in the Quebec Family Allowance Act dealing with couples who are separated or divorced.

40 Presumably, these would be parents who are not working or whose incomes were so low that the earned income provisions limited their deduction.

41

Child Care Expense Deduction - provincial	9.9 million
- federal	23.2 million
Financial aid to parents to subsidize child care	25.0 million
Direct subsidies to day care centres	26.0 million
Total	84.1 million

The Bottom Line:

Wages and Working Conditions of Workers in the Formal Day Care Market

Submitted to:

The Task Force on Child Care

Submitted by:

Karyo Communications Inc.
3422 West 1st Avenue
Vancouver, British Columbia

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October 1984

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ACKNOWLEDGEMENTS

Research assistance for this study was provided by Peter Ashmore.

Telephone interviews with Quebec home day care providers were conducted by Claire Harnetty.

Personal interviews with day care workers were conducted by Nessa Schom.

Thanks goes to those day care workers who took the time to complete the questionnaires and participate in this study. Thanks also to the home day care providers who consented to be interviewed by phone, and those centre employees who consented to be interviewed in person.

Many other people contributed to this report. Provincial governments supplied their current listings of licensed centres and family homes; the Child Care Employee Project and Marcy Whitebrook provided the questionnaire; representatives of unions provided information on wage rates and rates of unionization; and many other individuals contributed their valuable insights into wages and working conditions of day care providers.

Needless to say, any responsibility for shortcomings in this study rests with the Principal Researcher.

EXECUTIVE SUMMARY

Group Day Care Centres

This study describes the wages and working conditions of employees in licensed group day care centres, and of providers of licensed family day care; it represents the first attempt to collect such information Canada-wide.

Centres and homes included only those operating on a full-time basis, offering care to children six years of age and under. Centres offering care exclusively to children over the age of six were excluded. On this basis it was possible to identify 3200 licensed day care centres, and 3296 licensed family homes.

Much of the data was gathered through a questionnaire mailed to randomly selected centres and their employees, or through telephone interviews with randomly selected family day care providers. Questionnaires were mailed to 140 centres, and 65 family providers were selected for telephone interviews. Of this number, 56 interviews were completed. The remaining providers were no longer operating a day care service. The overall return rate for questionnaires was 61%, representing 85 centres and 279 employees.

Day care licensing falls under provincial jurisdiction. Regulations vary from province to province, and while some provinces have minimum education and training requirements for day care personnel, other provinces do not. There are no training requirements for family day care providers.

In the general population of centres, the study found 265 centres which are unionized, representing 8% of the total population. Family day care providers are seen to be self-employed.

Caregivers, in both group centres and licensed family homes, have jobs characterized by inadequate salaries, lack of benefits, low status and little room for career development or upward mobility.

Of those workers in group centres, the majority are women who first entered the field because of their desire to work with young children. Most are between the ages of 20 and 30, and are employed as day care teachers.

Day care workers are, for the most part, well-trained. The majority have at least one or two years of Early Childhood Education (E.C.E), and a third of workers have training beyond this level. Day care workers have more education than the average Canadian worker - 50% of whom have only completed high school. Few workers surveyed felt there was a tangible incentive to further their current level of training. Some considered advancement and personal growth as an incentive, but the majority saw no potential for more pay or career development.

Most day care workers have been employed for between one and five years, but a quarter have worked for five to ten years. Generally speaking, day care workers switch centres often. More than half have switched centres at least once during their careers. The average turnover rate is 17%.

Wages of day care workers are low. On a national basis, the mean wage is $7.29 per hour, for a 35-40 hour week (or $14 212 on an annual basis). Of these paid hours worked, the majority are spent directly with children.

Wages are dependent on a number of factors. Centre's funding source, the presence of a union and the member's job classification emerged as the key factors influencing wage differentials in the study. Day care aides earn 30% less than teachers, and teachers about 30% less than directors. Wages increase directly with levels of education. Those workers with a high school diploma earn about $2 less per hour than those with E.C.E training or university degrees. Staff in commercial centres earn 30% less than those in non-profit centres and 50% less than staff in municipal centres. Staff working in centres represented by a union earn 30% more than their non-unionized counterparts. Day care teachers in larger cities earn about 25% more than those working in smaller cities. On a regional basis, there is no significant variation in wages, except for the Atlantic region where wages are 30% below average.

Day care workers are paid less than workers with similar education and training. They earn 30% less than the average industrial wage and only 50% of the wage of an experienced elementary school teacher. General labourers and workers who care for animals earn 30% more than day care workers.

With the exception of municipal centres, day care workers receive few employee benefits. Many workers receive neither health coverage nor paid sick days. In commercial centres, workers receive approximately two weeks of paid vacation per year. In non-profit centres, workers receive 2-4 weeks paid vacation. Few day care workers receive paid personal days, maternity leave, life insurance, worker's compensation or retirement and pension plans. In some cases, workers do not receive the minimum benefits outlined by provincial legislation.

Benefits are perceived to be a major way of supplementing the wages of day care workers. Workers receiving the highest income also receive the greatest number of benefits.

Less than half of all workers surveyed are committed to staying in the day care field for more than 10 years. Some workers plan to leave the field when they have children of their own. One-quarter of all workers express dissatisfaction with the wages paid and the dead-end nature of the job. While many plan to keep working with children, this work will not be in the field of day care.

Costs associated with wages and benefits can constitute 70% to 90% of a centre's total budget. As such, day care workers' wages are closely tied to fees, debts and enrollments. The centres paying the most reasonable wage are generally those charging the highest fees. The consequence is that, in the day care system, salaries remain low to allow fees to remain reasonable. Day care workers subsidize parents' fees through their low wages.

Licensed Family Homes

Licensed family day care is an option for a variety of parents, especially those with children under the age of two, and those requiring provincial subsidies. In some provinces, group centre care is not available for the under-two age group.

While workers in day care centres work hard to counter the image of being little more than babysitters, one-third of family day care providers see themselves in this light. Many providers view their work as an extension of the work they do with their own children.

Family day care providers are working independently or are affiliated with an agency. In some provinces, providers have no choice but to affiliate with a licensed agency, while in other provinces, they must operate independently.

The majority of family day care providers are women between the ages of 30 and 50, with one in 10 providers over the age of 50. Reasons for caregiving depend on the caregiver's age. Younger caregivers often cite their desire to be at home with their own children and their need for additional income. Older caregivers also needing additional income, cite their interest in children and lack of training in other areas as reasons for starting family day care homes.

Despite these varied reasons for starting family day care homes, many providers see their job as a temporary one. Younger providers plan to offer care only until their own children are of school age. Older providers see their involvement as somewhat more long-term.

One-third of providers have not completed high school, while 40% have a high school diploma. Only 7% have training in child-development-related areas. Aside from personal interest, most caregivers see no incentive for furthering their education or training.

Two-thirds of providers have been offering care in their current situation for less than three years. One in five has been in her present situation for more than five years.

Most providers see their credentials to offer care as "being parents ourselves." Only one caregiver did not have children of her own.

The majority of caregivers work in excess of 45 hours per week, with 40% working more than 50 hours each week. Of these working hours, about three-quarters of providers spend all their time with children. One-third of providers receive help in operating the family day care home. Husbands and older children provide the majority of this help.

In addition to their long working hours, 60% of providers work in excess of two unpaid hours per week, with one in ten working more than 10 unpaid hours each week.

Many caregivers do not know what their weekly income is, nor the amount they spend on expenses. After detailed calculations, the mean gross wage is determined to be $3.30 per hour, with the mean net wage at $2.26 per hour - lower than the minimum wage in each province. The maximum gross wage is $7.97 per hour, and the maximum net wage is $6.11 per hour. The minimum gross wage is $0.96 per hour. One caregiver states that, after expenses, she nets no income.

There are no correlations between income and level of education. No absolute correlation can be found between wages and career duration, although those providers in the field for less than one year earned 65% of that of a provider in the field for more than 10 years.

For two-thirds of providers, income derived from caregiving represents less than 25% of their total household earnings. For income tax purposes, family day care providers are self-employed, and as such, receive few benefits. Of those receiving working condition benefits, all were a result of affiliation with an agency.

None of the providers in our survey receive paid breaks, paid lunch or paid vacation. Only one in ten has a written job description, and one in five, written personnel policies. Fewer than 10% have access to formal grievance procedures and 10% receive periodic merit increases. Less than one in five providers has access to workshops or periodic in-service training. One in two providers receives compensation for overtime work.

For the majority of those providers affiliated with an agency, advantages were seen to this affiliation. Agencies, however, may pay caregivers less than the per diems received from parents - in some cases as much as 30-35% less.

Many caregivers and home providers do not receive payment for days children are not in attendance - whether their absence is due to illness, vacation or parental whim. Many family day care providers, then, do not have a stable income, because payment is based on attendance rather than enrollment, and attendance can vary month-to-month.

> In this kind of job you always have to be at your best. You could come in feeling really rotten, but you have to have a big smile on your face because kids don't understand bad moods.

INTRODUCTION

This study is primarily a collection of information on wages and working conditions of employees in licensed group day care centres and family day care homes operating throughout Canada. The centres and homes included in the study operate on a full-time basis. Centres offering care exclusively to children over the age of six were excluded.

The report is divided into two main sections. The first deals exclusively with day care centres, and the second with family homes. These two groups are seen to be distinct, and so different as to prevent meaningful correlations.

For the purpose of this report, a <u>day care centre</u> refers to a licensed or provincially-approved group day care providing care for children outside their own home for the majority of the day. Employees in centres are referred to as workers. A <u>family home</u> refers to a family day care home selected and supervised by a government or authorized private agency. Family homes are essentially private families who give care to a limited number of children during the day in the caregiver's home. Persons offering this service are referred to as providers or caregivers.

1.0 GROUP DAY CARE CENTRES

1.1 Research Method

The bulk of the data presented in this report was gathered through three data collection techniques:

1. a questionnaire in both English and French mailed to employees of group day care centres. Responses were entered into a microcomputer data base for statistical analysis. Answers were coded and analyzed according to both centre and individual worker.

2. a comprehensive literature review - designed to provide background information and documentation.

3. telephone and personal interviews with selected individuals working in the field of early childhood education.

1.2 The Population

1.2.1 Classification of Centres

Three types of centres are described in this report.

Commercial centres are licensed day care centres set up as proprietary operations. This category includes larger, franchise operations as well as the smaller, singularly-owned centre.

Non-profit centres are licensed day care centres established as non-profit organizations, generally governed by a community board of directors.

Municipal centres are those centres owned and operated by municipal or provincial governments. Municipal centres operate in Ontario and Alberta only.

1.2.2 Size and Make-up of Day Care Population

The first major task of this research study was the preparation of complete lists of licensed group day care centres in Canada. While the National Day Care Information Centre collects information on the number of licensed spaces available, there were no data available on the number of centres in operation, or how spaces are distributed centre-to-centre. Up-to-date lists of group day care centres were obtained from the provinces and territories in a variety of formats. (For details, refer to Appendix A: Sources of Information on Day Cares in Canada.)

The National Day Care Information Centre publishes an annual report describing the number of day care spaces available on a provincial basis and by auspice. A breakdown of numbers of spaces and centres is presented in Table 1, on a regional basis.

Table 1

Day Care Spaces by Region, 1983

Region	Spaces	% of All Spaces	Centres	% of All Centres
British Columbia	12 783	10.4	345	10.8
Prairies	33 497	27.2	736	23.0
Ontario	45 193	36.6	1 324	41.3
Quebec	24 077	19.5	562	17.6
Atlantic	7 742	6.3	233	7.3
Total	123 292	100.0	3 200	100.0

Source: Adapted from statistics gathered by the National Day Care Information Centre.

Table 2 illustrates an interprovincial comparison of day care spaces by auspice.

Table 2

Spaces by Auspice, 1983

Province	Non-Profit	Municipal	Commercial
British Columbia	42%	-	58%
Alberta	36%	3%	61%
Saskatchewan	96%	-	4%
Manitoba	81%	-	19%
Ontario	45%	13%	42%
Quebec	82%	-	18%
New Brunswick	62%	-	38%
Nova Scotia	61%	-	39%
Prince Edward Island	55%	-	45%
Newfoundland	29%	-	71%

Source: Adapted from statistics compiled by the National Day Care Information Centre.

Considerable variation exists in the type of centres from province to province. Newfoundland has the largest percentage of commercial spaces at 71%, followed by Alberta at 61%. Saskatchewan has the smallest percentage of commercial spaces with 4%, followed by Quebec with 18% and Manitoba with 19%.

1.2.3 Provincial Regulations Affecting Day Care Operations

Variations in provincial regulations affecting day care centres are one reason for regional differences in wages and working conditions. An examination of provincial and territorial licensing arrangements reveals that British Columbia, Manitoba, Ontario, Quebec, and Nova Scotia have regulations regarding specific qualifications for day care workers (aside from first aid certificates). For the most part, these minimum qualification requirements apply to only a percentage of day care employees. For example, in Manitoba, one-third of the workers are required to have a Child Care Worker II Certificate by October 31, 1986. By 1988, two-thirds of the workers in each Manitoba centre must meet these qualifications.

In Ontario, one person for each group of children must have a diploma in Early Childhood Education or academic qualifications equivalent to an E.C.E. diploma. Quebec requires that at least one staff member out of three possess a diplôme d'études collégiales in day care techniques or a related field; a certificate in day care techniques; or a university degree in E.C.E., in psychology with specialization in child development, or in another appropriate field. Failing this, one staff person must have a least three years of relevant experience with pre-school children in a day care centre. The so-designated 'qualified' person has to be present each day for a least half the time the centre is open. Nova Scotia requires that at least one-third of the staff complete a training program in early childhood education or its equivalent.

Only Manitoba and Ontario have separate qualification requirements for directors or supervisors.

All provinces set maximum child:staff ratios, while only five provinces (British Columbia, Alberta, Manitoba, Ontario and New Brunswick) set limits on group size. Child:staff ratios vary from province to province. In the four-to-five-year-old category, for example, Yukon, Manitoba, Ontario, Quebec and Newfoundland share the 8:1 ratio. New Brunswick and Saskatchewan allow 10:1 and Nova Scotia 7:1. The ratio for younger age groups, such as under 18 months, varies more, with: Yukon and Newfoundland at 6:1, Manitoba at 4:1, Ontario at 10:3, Quebec at 7:1, and New Brunswick and Alberta at 3:1.

1.2.4 Rates of Unionization

Approximately 265 unionized centres exist in the general population, representing 8% of all day care centres.[1] Unionized day care centres are affiliated with the following organizations:

British Columbia: Social Services Employees of B.C. (50)
Service Office and Retail Workers (9)
B.C. Government Employees' Union (8)
Vancouver Municipal and Regional Employees Union (2)
College Employees Union (1)
Pulp Paper and Woodworkers of Canada (1)
Hospital Employees' Union (2)

Alberta:	Canadian Union of Public Employees (3) Alberta Union of Public Employees (1)
Saskatchewan:	Canadian Union of Public Employees (10) Saskatchewan Government Employees Union (1)
Manitoba:	Canadian Union of Public Employees (12)
Ontario:	Service Employees International Union (3) Ontario Public Service Employees Union (3) Canadian Union of Public Employees (51)
Quebec:	Canadian Union of Public Employees (1) CSN (100)
P.E.I.:	Public Service Association of P.E.I. (1)
Nova Scotia:	Canadian Union of Public Employees (1)

The rate of unionization varies considerably province to province, with exceptionally high rates in British Columbia (21%) and Quebec (18%). Table 3 lists the total number of unionized centres and unionization rates for each region.

Table 3

Total Number of Unionized Centres by Region

Province	Number of Centres	Unionized Centres as a Percentage of Regional Total
British Columbia	73	21% - British Columbia
Alberta	4	
Saskatchewan	11	4% - Prairies
Manitoba	12	
Ontario	58	4% - Ontario
Quebec	101	18% - Quebec
Prince Edward Island	1	
Newfoundland	0	1% - Atlantic
New Brunswick	0	
Nova Scotia	1	

Source: Telephone conversations with union representatives.

1.3 Survey Design

1.3.1 The Questionnaire

The questionnaire mailed to day care centre employees was adapted (with permission) from the Child Care Worker Salary and Working Conditions Survey.[2] The questionnaire has been pre-tested and used for surveys conducted in the United States. It was thought that an adaptation of the questions would help to ensure a broad and credible data base with opportunity for comparative analysis. Adaptation included a number of revisions to suit the Canadian context, the addition or deletion of some questions, and a translation into French.

1.3.2 Sampling Techniques

A simple random sampling procedure was employed for sample selection, with some modifications. The severe limitations posed on sample size in provinces with smaller populations was seen to be problematic. Because of the large discrepancy in population size from province to province, it was necessary to cluster the initial population by region prior to employing a random sampling technique. For the purposes of this study, the Canadian population was divided into the following regions:

British Columbia and Yukon Territory
Prairies
Ontario and Northwest Territories
Quebec
Atlantic region

The smallest sample was day care centres and homes in the Atlantic region.

Within the time and budget constraints of this study, an overall sample size consisting of 4% of licensed group centres was thought to be manageable. A 4% sample comprises 128 centres. With an expected 50% return rate, the sample would be large enough to support a thorough analysis of the data.

Because of the difficulties encountered in drawing conclusions from small samples, and the importance of maintaining confidence in other independent variables, a minimum regional sample size was also instituted.

The random generating program was used to select a sample size of 4% or 20 centres from each region, whichever was greater. The sample was selected by randomly generating numbers in a computer, and selecting corresponding numbers from a numbered list of centres in Canada. Each of the selected centres was provided with sufficient questionnaires for each child care employee. No additional sample stratifications occurred. The minimum sample size stipulation increased the total number of centres in the sample to 140.[3]

1.3.3 Sample Size and Distribution

Questionnaires were mailed to a sample of group day care centres operating in Canada on a full-time basis and offering care to children, the majority of whom were six years of age and under.

The overall return rate, without follow-up letters or phone calls was 61%, representing 85 centres and 279 employees. Except for Atlantic Canada, a return rate of better than 50% was achieved in all regions. Table 4 presents the regional distribution of centres in Canada, along with sample size and return rates.

Table 4

Sample Population

Region	# of Centres	# in Sample	# of Returns	# of Returns in Analysis	%
B.C./Yukon	345	20	11	11	55
Prairies	736	28	18	16	57
Ontario/N.W.T.	1 324	51	39	33	64
Quebec	562	22	11	9	41
Atlantic	233	19	7	7	37
TOTAL	3 200	140	86	76	54

Questionnaires were mailed directly to centres. Because of time constraints, follow-up phone calls were not feasible.

The day care centre lists provided by the provinces were scrutinized to determine the types of centres not returning questionnaires. In British Columbia, centres not responding were evenly divided between commercial and non-profit. In the Prairies, 28% of commercial centres failed to respond, compared to less than 1% of non-profit centres. It was not possible to determine the auspices of centres in Ontario. While 9% of the total Quebec sample were commercial centres, none of these centres responded. It was difficult to determine the auspices in the Atlantic region, also. Where it could be determined, however, commercial centres comprised 26% of those not responding, and non-profit centres 5%.

The locations of centres included in this study are listed in Table 5.

Table 5

Locations of Centres Responding to Questionnaire

British Columbia and Yukon

Kalso	Kelowna
Penticton	Kamloops
Burnaby	Surrey
Port Coquitlam	Victoria (3)
Maple Ridge	Dawson Creek

Prairies

Calgary (5)	Edmonton (3)
Mannville	Pincher Creek
Innisfail	Regina
Moose Jaw	Lloydminster
Winnipeg (3)	

Ontario/N.W.T.

Brantford	Toronto (9)	Whitby
Maidstone	St. Thomas (2)	Hamilton
Sarnia	Dundas	Weston
Scarborough (4)	Windsor	Peterborough (2)
Sydenham	London	Timmins
Ottawa	Vanier	Oshawa
Waterloo	King City	Fergus
Thornhill	Cambridge (2)	

Quebec

Montreal	Ormstown
Laval	Louisville
Sillery	Trois Rivieres
Chicoutimi	Sainte Catherine

Atlantic

St. John's	Deer Lake
Moncton	Halifax
Truro	Charlottetown (2)

1.3.4 Bias in the Sample

The random nature of the sample selection appears to have generated a truly representative data base. For most indices used to describe day care in Canada, the sample composition reflects what is already known about the population as a whole, as reported in current, available literature.

Aggregate statistics from the survey will be valid for most purposes. An effort has been made to avoid generalizing from statistics where the confidence level has been lowered due to large deviations or a reduced sample size - a problem most often encountered when comparing a multitude of variables on a regional basis.

Despite a large and random sample selection, potential bias in the sample was unavoidable in two instances: rates of unionization and total number of centres.

1.3.4.1 A Higher Proportion of Unionized Centres

The sample of returned questionnaires appears to have resulted in a disproportionate number of unionized centres, especially in Ontario and the Prairies. Nineteen per cent of the total sample is unionized, versus a rate of 8% in the entire population. A plausible explanation is that workers in unionized centres are more concerned - or more familiar - with issues pertaining to wages and working conditions than are their non-unionized counterparts. Consequently, their rate of return is higher. Thus, inadvertently, a bias towards unionized centres has developed. The effect of this bias on aggregate statistics will be to slightly overstate factors such as average wage figures (+3%) and benefits.

1.3.4.2 Total Number of Centres

The total number of licensed centres caring for children six and under on a full-time basis is estimated to be 3200. While this number was determined through careful examination of centre listings, it may be slightly inflated because of one problem in data collection. In the case of Ontario, the computer printout did not provide codes as to the type of service offered. It was relatively easy to remove nursery schools from the list, but some after-school programs and playschools may be included in the total. The figure 3200 then, is the upper limit of centres currently operating in Canada.

> The more time we spend gearing towards parents, the less time we have with the children. We see ourselves as a service to their children. We take care of them as best we can, but if someone gets hurt, you feel almost guilty telling the parent their child got scratched. You feel like it's your fault. Sometimes parents make you feel that way.

1.4 Survey Results

1.4.1 Composite Centre Profile

Sixty per cent of centres included for analysis in this study were non-profit, 31% were commercial and 8% were municipal. The distribution of centre types be region is presented in Table 6, included at the end of Part One along with the other tables showing survey results.

Considerable variation can be seen to occur in the responses on a regional basis, with 100% of responding Quebec centres falling into the non-profit category, and 71% of centres in the Atlantic region falling into the commercial category. Municipal centres are found only in the Prairies and Ontario. All these variations reflect a breakdown similar to that of the distribution of total day care spaces by auspice, prepared by the National Day Care Information Centre (see Table 2).

Of those centres surveyed, 80% were non-unionized, while 20% were represented by a collective agreement. Table 7 presents regional data on percentages of centres with collective agreements. All municipal centres participating in this study are unionized; none of the commercial centres are.

1.4.2 Composite Worker Profiles

1.4.2.1 Job Descriptions

Table 8 describes day care workers by job description and region. More than 60% of day care workers describe themselves as teachers, with 6% working as aides, and 20% as directors (assistant director, program director or agency director). The remaining job categories - owner, substitute and other - comprise less than 10% of the total sample. Five per cent of workers surveyed hold a second paid job.

1.4.2.2 Demographics

The majority of workers surveyed (60%) fall into the 20-30 age category, with only 6% under 20 years or over 50. Age distribution of workers by region is presented in Table 9. Only British Columbia differed from the national averages, with the majority falling into the 30-50 age category.

Day care workers, with few exceptions, are female. Ninety-nine per cent of workers in the sample are women; only two men are included.

1.4.2.3 Motivation

All caregivers participating in this study were requested to state, in their own words, their reasons for initially entering the field of day care. A variety of reasons were expressed, with two common themes.

The majority stated that the enjoyment of working with young children, and their desire to contribute to the growth of young children was the driving force behind their entry into the field. For many, this was also the reason they continued in the job:

> I enjoy working with children. I entered the field because I felt that I had some qualities that would be beneficial to working with children: patience, warmth, and concern for these children.

> In order to be actively involved in an area which I consider to be of utmost importance.
>
> Conviction that human growth is the only thing worth promoting.
>
> I entered the field of E.C.E. for the rewarding results and fulfilling feelings it gives me.
>
> I love children and feel they are our most important resource for the future.
>
> My love and interest of children and knowing that each day would be different and challenging.

A smaller minority stated that, though they enjoy working with children, day care wasn't their first choice. Five respondents stated they would prefer to have trained as school teachers, but were deterred by a lack of financial requirements or a tight job market. A diploma in E.C.E. was their second choice.

> I really enjoyed working with children, but with the way things were, I couldn't really afford university.
>
> Desire to work with children under five. Unable to afford to go to university, so took Early Childhood Education.
>
> I originally wanted to be a public school teacher. Unfortunately, the need for these teachers wasn't available.

Eight respondents stated they were qualified teachers, but were unable to find work in that field.

> It is a job that is related to my formal training. The teaching market is flooded and many of us are having to seek other job opportunities.
>
> Because I could not find a full-time teaching (elementary school) job and I could not curb my spending habits.
>
> This is an age I enjoy working with. I am a primary school teacher in an area with no jobs and I enjoy teaching and providing the opportunity and environment for creative learning.

Only three people stated they entered either not knowing much about the field, or because it was the only job available.

> I entered not really knowing what it involved.
>
> I was naive, thought children were great. I now know different. It takes more than interest or liking children.

1.4.2.4 Duration of Employment

Even though the majority of day care workers entered the field because of a strong personal desire to work with young children, about half are now committed to staying in the field for 10 years or longer. Of those workers planning to stay (45%) for 10 years or more, the majority are committed to the field. For this sizeable portion of workers, day care work will be a lifetime career.

> I cannot foresee any other kind of field to work in.
>
> I plan to stay in this field until I retire. I cannot imagine a day without children in my life.
>
> I am determined to remain in this field because I respect the importance of early childhood development. If more people understood what our job's all about, they would finally acknowledge us and pay us for what we do.
>
> I plan to stay in this field until my interest in working with children no longer satisfies me.
>
> If my job continues to be fulfilling, I'll stay as long as I'll work.

Twenty-one per cent didn't know how long they would remain in the field, and 9.5% stated they plan to leave when they have children of their own, or get married.

> Until I have children of my own, then I plan on staying home with them.
>
> I plan to stay in the field until I have my own children. At that time I will be staying in my own home and will not re-enter the field after my children are in public school. I plan to return to school and enter another field.

The remaining 24% were not planning to stay in the field for more than a few years. Some stated they planned to continue working with children, but in other, more formalized settings, such as the school system. Some wanted to specialize and work with children with special needs. But many workers expressed some dissatisfaction with the day care field. Low pay and low status had, for many, turned their initial enthusiasm into bitterness:

> Day care is very much a dead-end street with no chance of real advancement. Wages are typically poor. Work well-done is rarely praised or even recognized. While I have met many good people and learned new things, I would quickly leave day care for a challenging, well-paying job.
>
> I plan on staying only until I can find an office job. The pay is too low, the groups are too large and it involves too much of my own time in the evening.

> While worker:child ratios are so high, quality care is something we only strive for and rarely ever achieve.
>
> I will probably stay if there are positive trends toward pay increases, recognition that early childhood education is vital and that teachers are well-educated, hard-working, loving individuals.
>
> If things such as money and recognition do not improve, then I may be leaving this field sooner than I orginally planned.

1.4.2.5 Education

Table 10 presents levels of education for caregivers participating in this study, by region and for the country. Almost half of all day care workers have one or two years of Early Childhood Education. While 13% have only a high school diploma, 36% had more than two years of E.C.E., with some university at both the undergraduate and graduate levels. Eleven per cent have completed their first university degree.

Regional variations in education levels are evident, especially for Quebec, where more than 80% of respondents had more than two years of E.C.E. In the Prairies, education levels appear significantly lower than average, with more than half the respondents claiming less than two years E.C.E.

Fifty-two per cent of day care workers have worked for between one and five years. Twenty-five per cent have worked for five to 10 years.

The generally young ages and short careers of day care workers help explain the prevalence of relatively high education levels. E.C.E. courses have not been available for more than 10 years in most parts of the country.

1.4.2.6 Training Incentives

Very few of the day care workers surveyed felt there was an incentive to further their current level of training. Eleven workers responding to this question state there are immediate incentives for training. Incentives usually consist of a 50% reimbursement on the cost of a completed course, or tuition fully paid by the employer. One-third of workers state they receive periodic, in-service training and some education allowance. Some workers have contracts providing for two paid days a year for professional development.

But the majority of workers say no tangible incentives exist. The primary motivation behind obtaining more training is to obtain personal satisfaction and achieve personal goals. For 10 day care workers, their personal goal of moving into a supervisory position is incentive for further training. An equal number feel more training will lead to increased pay.

Six workers see more training as a way to move out of the field of day care and into a career with more financial reward. Many workers say an incentive for further training is their desire to remain well-informed and up-to-date with current information. A sense of personal satisfaction comes from offering the most to the children.

Forty-eight day care workers state no incentives exist to further training.

> Our current wage grid does not take into account training or education. Therefore there is no monetary incentive, only personal satisfaction. Unfortunately, personal satisfaction doesn't help pay the bills.

> There are no incentives for personal advancement in the field or to further your training other than an innate desire to become a better teacher. The reward in doing so would involve a more well-rounded knowledge of children, which is sufficient for some, but those who are looking for tangible rewards better look somewhere else.

> Employers are not able to offer more money to those staff who further their education.

1.4.2.7 Length of Service

Table 11 examines the length of workers' careers in the day care field. Only 10% of workers have been in the field for less than one year, while 58% have been in the field for more than three years. One in four has worked between five and 10 years, with about 13% employed for more than 10 years.

1.4.2.8 Turnover

Although the majority of workers have been in the field for a number of years, the data indicates a common tendency to switch centres every four to five years. Table 12 compares length of time in a worker's current job to length of career. Sixty-one per cent of workers have been employed in their current centres for less than a year, but have been in the field for more than a year.

1.4.3 Conditions of Work

1.4.3.1 Hours

Table 13 illustrates the number of hours worked on a weekly basis. Three out of five workers surveyed work a full week consisting of 35 to 40 paid hours. One out of five works 30 to 35 hours. Table 14 shows that of these hours, not all are spent with children. While 64% of workers spend all their time with children, 21% of workers spend three-quarters of their time with children, and 14% spend half of their time or less with children.

Table 15 illustrates the number of unpaid hours worked each week. One third of day care workers work several hours each week without pay in addition to their paid hours. Only 3% state they receive some compensation for overtime work. One-quarter of all workers are paid for preparation or planning time and less than half are paid for their attendance at staff meetings.

1.4.3.2 Income

Wages for day care workers in each region are presented in Table 16. The mean wage for day care workers is $7.29, with a high of $18.05 and a low of $3.00 per hour ($14 212, $35 197, $5 850 on an annual basis, respectively).

On a regional basis, only in Atlantic Canada is there a significant variation from the national mean wage. At $5.05 per hour, the Atlantic wage is only 69% of the national day care wage; this may be a reflection of the high proportion of commercial centres operating in the Atlantic provinces and the lower wages paid overall in that region. In all other regions, the mean wages are suprisingly constant.

Wages are dependent on a number of factors. Centre's funding source, presence of a union, and worker's job classification emerged as the key factors influencing wage differentials in the sample. Tables 17, 18 and 19 illustrate the manner in which average wages vary with each of these factors.

As shown in Table 17, average wages consistently increase with job responsibility - with day care aides at $5.09/hour, teachers at $7.13 and program directors at $8.95 ($9 925, $13 903, $17 452 on an annual basis, respectively). In all cases, the average wages appear low, relative to the educational levels achieved by workers. For example, aides, with educational levels equal to or higher than the national average of high school completion, receive a wage equal to only 45% of the industrial average.

Staff in commercial centres receive the lowest wage, while those in municipal centres receive the highest, as shown in Table 18. The mean hourly wage for each type of centre is $5.47 for commercial, $7.46 for non-profit, and $10.58 for municipal. On an annual basis this equals $10 666, $14 547, and $20 631 respectively.

In relative terms, staff in commercial centres receive 73% of the wages of staff in non-profit centres, and only 51% of the wages in municipal centres.

The presence of a union is also a major influence on mean wages, independent of other variables. The wage in a unionized centre is $9.90, in comparison with $6.63 in a non-unionized centre. Non-unionized workers thus receive 67% of the wages of their unionized counterparts.

The size of the surrounding community appears to influence wages as well (although less so than other factors analyzed). With few exceptions, centres in large cities (populations over 100 000) pay higher wages than do centres in cities with populations of less than 100 000. The mean wage in smaller cities is $6.26, as compared to $7.90 in larger cities ($12 207, $15 405, respectively).

Table 19 provides a comparison of education levels and income. Wages appear to be directly correlated with education levels, increasing from $5.77/hour for workers with high school diplomas, to $7.49 for those with two years of E.C.E., and $8.35 for workers with a master's degree in E.C.E. (or a related field).

Table 20 presents salaries as a proportion of yearly household income. The results do not vary greatly from region to region; the national averages appear to be valid for most purposes. In approximate terms, about a third of the caregivers contribute one-quarter or less of the household income, another third contributes about half, and the final third contributes all of their household income. It is interesting to note that while only 24% of the caregivers describe themselves as the sole wage earner, a full 31.4% are currently functioning as the sole support, presumably because of an unemployed spouse.

1.4.3.3 Benefits

Table 21 presents statistics on the percentage of day care workers receiving various levels of employee benefits. With the exception of day care workers in municipal centres, the majority of workers receive few job benefits of any kind. Health care coverage is offered to 31% of workers in commercial centres (but only 5% receive coverage that is fully paid). Non-profit centres are similar, with health coverage offered to 42% of workers. Municipal centres, on the other hand, offer health care coverage to 95% of staff - the majority of which is fully paid.

While 93% of workers in non-profit centres receive at least one paid sick day per month, only 30% of workers in commercial centres receive this benefit.

Half of all workers in commercial centres receive payment for statutory holidays, and 38% receive four to nine days per year. About 56% of workers in non-profit centres receive payment for statutory holidays, which are evenly divided between four to nine days and 10 or more days per year. (A minimum number of statutory holidays are generally provided for by provincial legislation.)

Three-quarters of workers in commercial centres receive paid vacation time, with the majority receiving two weeks per year. Ninety-seven per cent of workers in non-profit centres receive this benefit, the majority receiving two to four weeks per year.

Few workers in either commercial or non-profit centres receive paid personal days or retirement/pension plans. Less than one-quarter of workers receive paid maternity leave.

A third of workers in non-profit centres receive worker's compensation insurance and life insurance, but only a fifth of workers in commercial centres receive these benfits.

Municipal centres offer a variety of benefits to their employees. More than 80% receive a retirement/pension plan, life insurance, and worker's compensation insurance. Almost 80% receive two to four weeks paid vacation per year, more than one paid sick day per month and some health and dental coverage.

Benefits are closely tied to income, and are frequently used to supplement staff wages. Employees with the highest wages tend to receive the most benefits. Workers in municipal centres were more likely to receive benefits than workers in either non-profit or commercial centres. Workers with the lowest wages - those working in commercial centres - receive the fewest benefits.

Table 22 shows the percentage of workers receiving what could be called working condition benefits. From the survey results, it appears that the majority of day care workers do not receive many of the working condition benefits mandated by law, some of which include paid breaks, unpaid lunch time, vacation pay, and minimum wage.

It may be the case that the nature and structure of the work does not lend itself to receiving some of these benefits. Paid breaks, for example, may conflict with required staff:child ratios. A frenetic, contained working environment may also mitigate against breaks. Only 31% of workers receive paid breaks, and less than half (47%) receive paid lunch. Fifty-two per cent of workers have access to a staff lounge.

Less than half of all workers are supplied with a written job description and only one-quarter are provided with written personnel policies or a written contract. One-third have access to a formal grievance procedure (50% of whom work in unionized centres).

Only 13% of workers receive a yearly cost of living increase. Thirty per cent receive a periodic merit increase. Merit increases are more prevalent in non-unionized centres, both commercial and non-profit.

One in five day care workers works in a centre that offers reduced child care fees for the children of employees.

1.4.4 Income Comparison

On average, the weekly wage of a day care employee is $273, although this varies from a low of $189 in the Atlantic region to a high of $294 in Quebec ($14 196, $15 228 annually). Compared to other workers, day care workers fare very poorly. Table 23 illustrates the average weekly earnings for all industries. Although industrial wages are generally higher than those in the service sector, the differences between industrial wages and day care workers' wages are extreme. In British Columbia, for example, where the average weekly earnings for all industries in 1983 was $433.50, day care workers earn only $7.40 per hour, or $277 per week.

At the same time, day care workers are better educated than the average worker. Table 24 illustrates that 64% of the labour force has a high school education or less, and only 13% have a post-secondary certificate or diploma. While all day care workers in British Columbia had at least one year of post-secondary training and 60% had at least two years, they earn only 63% of the average industrial wage.

This situation varies little region-to-region. In Ontario, where the average weekly industrial earnings are $404.07, day care workers received only $267, 66% of the average weekly industrial earnings. In Quebec, day care workers earn slightly more than day care workers in other regions, but their wage still amounts to only 74% of the average industrial wage.

Day care wages also appear low when compared with similar jobs in the service sector. Table 25 illustrates wages paid elementary school teachers - a group with similar responsibilities and years of training. In British Columbia, wages paid to elementary teachers range between $19 970 and $29 134. Day care workers earn $14 430 or 72% of the wage of a teacher with no teaching experience, and less than 50% of that of an experienced teacher. In Ontario, teachers' wages range between $16 930 and $29 661. In Quebec, the range is $19 414 to $29 146. In both cases, experienced day care workers receive only half the wage of experienced teachers.

Seventy per cent of day care workers surveyed have been in the field for more than three years, with 50% working for more than five years.

A comparison with other occupations (Table 26) further exemplifies the low wages of day care workers. General labourers, with no training or experience, earn $19 548 in British Columbia. This figure is 35% higher than the average day care worker's wage of $14 430. Employees looking after animals on government farms also earn about 35% more than day workers.

Day care workers fare better when their wage is compared to the minimum wage or low-income lines. Table 27 illustrates provincial minimum wages. In British Columbia, a day care worker, on average, earns twice the provincial minimum wage of $3.65. However, wages paid some day care workers in that province are as low as $4.00 per hour. Workers at the lowest end of the wage scale, then, earn only 10% more than the minimum wage.

In Ontario, where the minimum wage is $3.50 per hour, workers, on average, earn slightly more than double the provincial minimum. Again, wages can be as low as $4.00 per hour, and some workers earn only 13% more than the minimum wage.

Quebec workers fare better, with the lowest wage in that province at $6.25 per hour, while the minimum wage is $4.00.

Table 28 illustrates low-income lines estabished by Statistics Canada.[4] The table shows that for a city the size of Vancouver, Toronto or Montreal, a single working person would have to earn more than $9 900 to stay above the poverty line. For a family of three, this amount increases to $17 473. The 30% of workers whose day care income contributes 100% of their family income are, in all probability, living below the poverty line.

> The biggest disappointment I faced was that at the Mini-School. I was told not to form any attachment to the children, because it's difficult for them when you leave. Turnover was high at that time.
>
> But I think that if their parents are working, they need to have someone showing affection to them, and if you're not supposed to get close to them, these children will suffer for it.

Table 6

Classification of Sample Centres by Region

Type of Centre	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
Commercial	30.0% 3	40.0% 6	27.3% 9	0.0% 0	71.4% 5	31.5% 23
Non-Profit	70.0% 7	53.3% 8	57.6% 19	100% 8	28.6% 2	60.3% 44
Municipal	0.0% 0	6.7% 1	15.2% 5	0.0% 0	0.0% 0	8.2% 6

Table 7

Rates of Unionization by Region for Sample and Total Population

Day Care Centres with Collective Bargaining Representation	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
Sample	20.0% 2	13.3% 2	24.2% 8	25.0% 2	0.0% 0	19.2% 14
Total Population	21.0% 73	4.0% 27	4.0% 58	18.0% 101	1% 2	8.0% 261

Note: Information on number of day care centres in Canada with collective bargaining obtained from Table 3.

Table 8

Job Descriptions of Workers, by Region

Job Description	Region: B.C.	Prairies	Ontario	Quebec	Atlantic	Total
Aide	3.7% 1	19.6% 10	2.4% 3	3.2% 1	0.0% 0	6.2% 15
Assistant Teacher	3.7% 1	2.0% 1	8.1% 10	0.0% 0	25.0% 2	5.8% 14
Teacher	37.0% 10	33.3% 17	46.8% 58	67.7% 21	25.0% 2	44.8% 108
Head Teacher	29.6% 8	3.9% 2	13.7% 17	3.2% 1	0.0% 0	11.6% 28
Assistant Director	7.4% 2	5.9% 3	6.5% 8	0.0% 0	0.0% 0	5.4% 13
Program Director	3.7% 1	9.8% 5	9.7% 12	6.5% 2	12.5% 1	8.7% 21
Agency Director	11.1% 3	7.8% 4	4.0% 5	6.5% 2	0.0% 0	5.8% 14
Owner	0.0% 0	3.9% 2	2.4% 3	0.0% 0	37.5% 3	3.3% 8
Substitute	0.0% 0	0.0% 0	1.6% 2	0.0% 0	0.0% 0	0.8% 2
Other	3.7% 1	13.7% 7	4.8% 6	12.9% 4	0.0% 0	7.5% 18
TOTAL	27	51	124	31	8	241

Table 9

Age Distribution of Workers, Nationally and by Region

Age	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
	Region					
Under 20	8.0% 2	4.0% 2	3.3% 4	0.0% 0	0.0% 0	3.0% 8
20 to 30	36.0% 9	68.0% 34	60.2% 74	73.3% 22	50.0% 4	60.5% 143
30 to 50	52.0% 13	26.0% 13	34.1% 42	23.3% 7	50.0% 4	33.5% 79
Over 50	4.0% 1	2.0% 1	2.4% 3	3.3% 1	0.0% 0	3.0% 6
MEAN	30-50 25	20-30 50	20-30 123	20-30 30	NA 8	20-30 236

Table 10

Levels of Education

Level of Education	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
	Region					
Less than high school	0.0% 0	2.0% 1	0.8% 1	0.0% 0	0.0% 0	0.8% 2
High school diploma	0.0% 0	29.4% 15	9.0% 11	6.5% 2	25.0% 2	12.7% 30
One year E.C.E.	32.0% 8	23.5% 12	4.1% 5	9.7% 3	25.0% 2	12.7% 30
Two years E.C.E.	20.0% 5	21.6% 11	56.6% 69	3.2% 1	12.5% 1	36.7% 87
More than two years E.C.E.	36.0% 9	0.0% 0	5.7% 7	48.4% 15	0.0% 0	13.1% 31
Some University	4.0% 1	7.8% 4	9.8% 12	12.9% 4	25.0% 2	9.7% 23
B.A., B.Sc., B.S.W.	4.0% 1	13.7% 7	11.5% 14	16.1% 5	0.0% 0	11.4% 27
Some graduate work	0.0% 0	0.0% 0	0.0% 0	0.0% 0	12.5% 1	0.4% 1
Master's Degree (E.C.E. or related field)	4.0% 1	0.0% 0	0.8% 1	3.2% 1	0.0% 0	1.3% 3
Other	0.0% 0	2.0% 1	1.6% 2	0.0% 0	0.0% 0	1.3% 3
Total	25	51	122	31	8	237

Table 11

Length of Career

Level of Career	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
Less than 1 year	11.1%	5.9%	14.3%	0.0%	12.5%	10.2%
	3	3	17	0	1	24
1 to 3 years	22.2%	47.1%	26.1%	36.7%	25.0%	31.5%
	6	24	31	11	2	74
3 to 5 years	18.5%	19.6%	16.8%	40.0%	25.0%	20.9%
	5	10	20	12	2	49
5 to 10 years	29.6%	21.6%	24.4%	23.3%	37.5%	24.7%
	8	11	29	7	3	58
More than 10 years	18.5%	5.9%	18.5%	0.0%	0.0%	12.8%
	5	3	22	0	0	30
Total	27	51	119	30	8	235

Table 12

Turnover of Day Care Workers

	Length of Career					
Length of Employment	Less than One Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	More than 10 Years	Total Sample
Less than 1 year	39.0%	37.3%	6.8%	13.6%	3.4%	
	23	22	4	8	2	59
1 to 3 years	1.2%	60.2%	20.5%	12.0%	6.0%	
	1	50	17	10	5	83
3 to 5 years	0.0%	0.0%	53.7%	31.5%	13.0%	
	0	0	29	17	7	54
5 to 10 years	0.0%	6.5%	0.0%	74.2%	16.1%	
	0	2	0	23	5	31
More than 10 years	0.0%	0.0%	0.0%	0.0%	100.0%	
	0	0	0	0	11	11

Table 13

Number of Hours Worked Per Week, by Region

Hours Per Week	Region: B.C.	Prairies	Ontario	Quebec	Atlantic	Total
Less than 10	0.0%	2.0%	4.0%	0.0%	0.0%	2.5%
	0	1	5	0	0	6
10 to 15	7.7%	0.0%	0.8%	0.0%	0.0%	1.3%
	2	0	1	0	0	3
15 to 20	0.0%	3.9%	3.2%	0.0%	0.0%	2.5%
	0	2	4	0	0	6
20 to 25	7.7%	0.0%	2.4%	0.0%	25.0%	2.9%
	2	0	3	0	2	7
25 to 30	3.8%	3.9%	2.4%	0.0%	0.0%	2.5%
	1	2	3	0	0	6
30 to 35	38.5%	15.7%	15.3%	58.1%	0.0%	22.9%
	10	8	19	18	0	55
35 to 40	38.5%	66.7%	71.0%	41.9%	37.5%	61.7%
	10	34	88	13	3	148
Other	3.8%	7.8%	0.8%	0.0%	37.5%	3.8%
	1	4	1	0	3	9
Total	26	51	124	31	8	240

Table 14

Work Time Spent with Children

Proportion of Time Spent with Children	Region: B.C.	Prairies	Ontario	Quebec	Atlantic	Total
1/4 or less	7.7%	5.9%	6.5%	20.7%	0.0%	8.0%
	2	3	8	6	0	19
About 1/2	3.8%	2.0%	6.5%	10.3%	0.0%	5.5%
	1	1	8	3	0	13
About 3/4	30.8%	23.5%	20.3%	13.8%	12.5%	21.1%
	8	12	25	4	1	50
All	57.7%	64.7%	65.9%	51.7%	87.5%	63.7%
	15	33	81	15	7	151
Other	0.0%	3.9%	0.8%	3.4%	0.0%	1.7%
	0	2	1	1	0	4
Total	26	51	123	29	8	237

Table 15

Hours of Unpaid Work Per Week

Unpaid hours	Percentage of Total
Less than 2 hours	65.2% 148
2 to 5 hours	23.3% 53
5 to 10 hours	7.9% 18
More than 10 hours	3.5% 8
Total	227

Table 16

Average Wage of Workers, by Region

	Region					
Region	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
# in sample	27	49	123	31	7	237
Maximum Wage	$13.00	$18.05	$14.00	$11.25	$10.00	$18.05
Minimum Wage	$4.00	$4.25	$4.00	$6.25	$3.00	$3.00
Mean Wage	$7.40	$7.61	$7.12	$7.86	$5.05	$7.29

Table 17

Average Wage, by Job Description

Job Description	Average Hourly Wage
Aid	$5.09
Assistant Teacher	$5.50
Teacher	$7.13
Head Teacher	$7.23
Substitute	$5.75
Assistant Director	$8.75
Program Director	$8.95
Agency Director	$9.79
Owner	$6.03
Other	$7.09
Average of all categories	$7.29

Table 18

Mean Hourly Wage by Type of Centre

Type of Centre	Average Hourly Wage
Union	$9.90
Non-Union	$6.63
Commercial	$5.47
Non-Profit	$7.46
Municipal	$10.58
All Centres	$7.29

Table 19

A Comparison of Education Levels and Income

Level of Education (Sample Size)	Mean Hourly Wage
Less than high school (4)	$5.61
High School Diploma (28)	$5.77
1 year E.C.E. (30)	$6.39
2 years E.C.E. (88)	$7.49
Some University (22)	$7.73
More than 2 years E.C.E. (31)	$8.10
BA., BSc.. BSW (27)	$8.24
Some Graduate Work (1)	$3.00
Master's Degree (3)	$8.35
Other (3)	$7.01
Total	237

Table 20

Salary as a Proportion of Yearly Household Income

Proportion of Yearly Household Income	B.C.	Prairies	Ontario	Quebec	Atlantic	Total
1/4 or less	20.8% 5	22.0% 11	30.8% 36	24.1% 7	50.0% 4	28.6% 63
About 1/2	29.2% 7	32.0% 16	29.9% 35	41.4% 12	25.0% 2	32.7% 72
About 3/4	8.3% 2	10.0% 5	7.7% 9	0.0% 0	0.0% 0	7.3% 16
All	33.3% 8	30.0% 15	31.6% 37	24.1% 7	25.0% 2	31.4% 69
Total	24	50	117	29	8	220

Table 21

Benefits According to Type of Centre

Benefits		Commercial (61)	Non-Profit (156)	Municipal (24)	All (241)
Health Coverage	None	68.85%	57.69%	4.17%	55.19%
	Partially Paid	4.92%	45.90%	29.51%	20.33%
	Fully Paid	26.23%	62.30%	8.20%	24.48%
Dental Coverage	None	83.61%	69.87%	8.33%	67.22%
	Partially Paid	4.92%	23.71%	50.08%	9.54%
	Fully Paid	11.48%	6.42%	41.67%	23.24%
Paid Sick Days	None	70.49%	6.41%	16.67%	23.65%
	Less than 1 month	24.59%	23.08%	4.17%	21.58%
	1-3 per month	4.92%	70.51%	79.16%	54.77%
Paid Holiday	None	45.90%	43.59%	25.00%	42.32%
	3 or less for month	4.92%	3.20%	4.16%	3.73%
	4-9 per year	37.70%	28.21%	41.67%	31.95%
	10+ per year	11.48%	25.00%	29.17%	21.99%
Paid Vacation	None	27.87%	2.56%	4.17%	9.13%
	1 week per year	1.64%	0.00%	4.17%	0.83%
	2 weeks per year	60.66%	33.97%	8.33%	38.17%
	2-4 weeks per year	9.84%	58.34%	79.17%	48.14%
	4+ weeks per year	0.00%	5.13%	4.17%	3.73%
Paid Personal Days		0.00%	13.46%	16.67%	10.37%
Retirement/Pension Plan		6.56%	12.82%	97.50%	18.67%
Life Insurance		21.31%	33.97%	83.33%	35.68%
Paid Maternity/ Paternity Leave		3.28%	23.08%	37.50%	19.50%
Worker's Compensation Insurance		21.31%	33.33%	79.17%	34.85%

Table 22

Percentage of Individuals Receiving
Working Conditions Benefits/Union and Non-Union

Working Conditions	Commercial		Non-Profit		Municipal		
	Union	Non-Union	Union	Non-Union	Union	Non-Union	Total
Paid Breaks	0	28.8% 17	29.2% 7	36.5% 46	12.5% 3	0	31.3% 73
Paid Lunch	0	52.5% 31	41.7% 10	38.9% 49	87.5% 21	0	47.6% 111
Staff Lounge	0	37.3% 22	70.8% 17	50.8% 64	79.2% 19	0	52.4% 122
Written Job Description	0	37.3% 22	37.5% 9	40.5% 51	75.0% 18	0	42.9% 100
Written Personnel policies	0	10.2% 6	62.5% 15	13.5% 17	79.2% 19	0	24.5% 57
Formal Grievance Procedures	0	13.6% 8	70.8% 17	29.4% 37	70.8% 17	0	33.9% 79
Written Contract	0	6.8% 4	29.2% 7	27.0% 34	25.0% 6	0	21.9% 51
Yearly Cost-of-Living Increase	0	5.1% 3	25.0% 6	13.5% 17	20.8% 5	0	13.3% 31
Periodic Merit Increase	0	39.0% 23	8.3% 2	34.9% 44	4.2% 1	0	30.0% 70
Reduced Child-care Fee for Parent Employees	0	15.3% 9	20.8% 5	15.1% 19	54.2% 13	0	19.7% 46
Periodic In-Service Training	0	13.6% 8	41.7% 10	38.9% 49	70.8% 17	0	36.1% 84

Table 22 (cont'd)

Percentage of Individuals Receiving
Working Conditions Benefits/Union and Non-Union

Working Conditions	Commercial		Non-Profit		Municipal		Total
	Union	Non-Union	Union	Non-Union	Union	Non-Union	
Education Allowance (for workshops, courses) etc.)	0	27.1% 16	33.3% 8	29.4% 37	54.2% 13	0	31.8% 74
Paid Preparation for planing time	0	8.5% 5	54.2% 13	27.8% 35	83.3% 20	0	31.3% 73
Paid Time for Staff Meetings	0	35.6% 21	54.2% 13	38.9% 49	87.5% 21	0	44.6% 104
Compensation for Overtime Work	0	3.4% 2	12.5% 3	1.6% 2	4.2% 1	0	3.4% 8
Total Sample	0	59	24	126	24	0	233

Table 23

Weekly Average Earnings For All Industries, June, 1983

Province	Average Earnings (Weekly) ($)	Average Day Care Earnings (37.5 hours/week) ($)
Newfoundland	383.06	
Prince Edward Island	317.67	
Nova Scotia	357.48	189.37 Atlantic
New Brunswick	366.23	
Quebec	396.97	294.75 Quebec
Ontario	404.07	267.00 Ontario
Manitoba	379.15	
Saskatchewan	387.86	285.37 Prairies
Alberta	437.44	
British Columbia	433.50	277.50 British Columbia
Yukon	471.24	
North West Territories	557.15	

Source: Statistics Canada. Employment, Earnings and Hours, Catalogue No. 72-002.

Table 24

Estimates of Educational Attainment of Labour Force, August 1984

Education	Total Labour Force	Percentage of Labour Force
Grade 0-8	1 614 000	12.5
High school	6 655 000	51.7
Some post-secondary	1 304 000	10.2
Post-secondary certificate or diploma	1 708 000	13.3
University degree	1 581 000	12.3
TOTAL	12 863 000	100.0

Source: Statistics Canada. Labour Force, Catalogue No. 71-001.

Table 25

1983 Elementary School Teachers' Salaries by Province

Province	Minimum Salary	Maximum Salary	Average Annual Day Care Earnings by Region
British Columbia (Vancouver)	$19 970	$29 134	$14 430.00 British Columbia
Alberta (Calgary)	20 210	28 290	
Saskatchewan (provincial scale)	18 340	27 910	14 839.00 Prairies
Manitoba (Winnipeg)	19 127	27 203	
Ontario (Ottawa)	16 930	29 661	13 884.00 Ontario
Quebec (provincial scale)	19 414	29 146	15 327.00 Quebec
New Brunswick	16 052	24 008	
Nova Scotia (provincial scale)	19 247	27 247	
Prince Edward Island (provincial scale)	15 048	21 659	9 847.00 Atlantic
Newfoundland (provincial scale)	19 777	26 163	

Source: Canadian Teachers' Federation

Note: All salaries are Category 3 or equivalent. Category 3 = minimum 3 years post-secondary education.

Table 26

A Comparison of Wage Rates: 1983

Job Description	Ontario	British Columbia
Animal Care Worker/ Farmworkers	$21 216 - 22 412	$19 596
Medical Technologist	$20 592 - 24 700	$19 020
General Labourer	$17 950 - 18 343	$19 548
Day Care Worker	$13 884	$14 430

Source: National Union of Provincial Government Employees

Table 27

Minimum Wage Rates for Experienced Adult Workers, August 1984

Jurisdiction	Rate	Minimum Wage Rates for Day Care Workers, by Region
Federal	$3.50	
British Columbia	3.65	$4.00 British Columbia
Alberta	3.80	
Saskatchewan	4.25	4.25 Prairies
Manitoba	4.00	
Ontario	3.50	4.00 Ontario
Quebec	4.00	6.25 Quebec
Nova Scotia	3.75	
New Brunswick	3.85	
Prince Edward Island	3.75	3.00 (Atlantic)
Newfoundland	3.75	
Yukon	3.60	
North West Territories	4.25	

Source: Labour Canada

Table 28

Statistics Canada Low-Income Lines, Estimates for 1984

No. in family	Population of Area of Residence: 500 000 & over	100 000–499 999	30 000–99 999	Less than 30 000
1	$9 900	$9 403	$8 820	$8 154
2	13 063	12 397	11 567	10 733
3	17 473	16 560	15 476	14 396
4	20 136	19 136	17 890	16 640
5	23 464	22 216	20 719	19 303
6	25 627	24 213	22 633	21 050
7 or more	28 207	26 709	24 963	23 214

> We're not just giving the children hugs and kisses and changing their diapers and taking them to the bathroom. We're also teaching them concepts and social skills. A lot of people just don't realize that.
>
> A Caregiver

2.0 FAMILY DAY CARE HOMES

Family home day care is one option for a variety of parents, especially parents with children under the age of two, parents requiring provincial fee subsidies, and parents wanting care in a licensed family home, rather than in a group centre. In fact, in some provinces, group day care is not available for children under the age of two.

> ...Many parents and day care authorities continue to view family day care as being either as acceptable as or, in some cases, a preferable alternative to centre care for infants. Another reason that partly explains the greater utilization of family day care for infants is that it has been seen as less expensive than centre care.[5]

2.1 Research Method

The family day care homes in our study are formally licensed by the province or registered with a regulatory agency that is so licensed, and offer full-time care to children six years of age and under. In Quebec, Nova Scotia, Ontario and Alberta, all licensed homes are affiliated with an agency.

Two per cent of all family homes were included, except in the case of Ontario and the Atlantic region. Because 2% of the homes in the Atlantic region would provide only one caregiver, this number was increased by three for a total of four. Ontario's sample size was reduced by an equal number.

Once a random sample had been accumulated, providers were called by telephone and interviewed, using a standard questionnaire. Multiple choice questions, as well as questions requiring longer answers, were asked. Interviews were conducted in English and French. Answers were coded and input into a Lotus 1-2-3 program for data base management.

A comprehensive literature review was also conducted, and individuals familiar with the provision of family day care and critical issues involved in providing this care were contacted directly.

2.2 The Population

2.2.1 Size and Makeup of Home Day Care Population

Information on the number of licensed family day care spaces is collected by the National Day Care Information Centre. As was the case with group day care centres, it was not possible to determine the number of providers from this information.

Up-to-date lists of family day care providers were obtained from the provinces, where such lists existed. Lists were in a variety of formats and this information is provided in Appendix A.

In 1983, there were 15 778 licensed family day care spaces.[6] Of those children using this form of care, more than half were under the age of two and almost one-third were between the ages of two and six.[7]

Table 1 shows the distribution of licensed family day care spaces across Canada.

Table 1

Distribution of Family Day Care Spaces

Province	% of Spaces
British Columbia	18
Alberta	20
Saskatchewan	9
Manitoba	8
Ontario	37
Quebec	7.5
Nova Scotia	.4
Prince Edward Island	.1
Total	100.0

Source: Adapted from statistics supplied by the National Day Care Information Centre

Note: New Brunswick and Newfoundland do not license home day care.

2.2.2 Provincial Regulations

Each province sets standards for licensing, and often sets maximum provider:child ratios. For example, the Yukon considers family day care as a service providing care for not less than four nor more than six children, six years of age and under. Ontario sets this number at five and, if only one caregiver is present, Quebec sets the maximum at four. If the caregiver is assisted by another adult, the number is increased to nine children. In Prince Edward Island, the maximum number is seven. While Newfoundland and New Brunswick set maximum provider:child ratios, they do not license family homes. In all cases, maximum numbers are inclusive of the caregivers' own children.

It is important to note that none of the provinces have specific qualification requirements for providers.

2.3 Survey Design

2.3.1 Questionnaires

The questionnaire used for the telephone interviews of family day care providers was similar to that sent to group day care workers, with the addition of questions targeted to the audience, as well as the deletion of questions referring to workplace benefits, union membership and auspice of centre. The questionnaire was adapted, with permission, from the Child Care Worker Salary and Working Conditions Survey.

2.3.2 Sampling Techniques

Licensed family day care providers were selected randomly from provincial listings. Where the provinces licensed agencies, lists of agencies were gathered. A random selection of agencies followed, and these were contacted by telephone to provide the names of caregivers. Agencies were given a numeric code so that providers' names could by supplied randomly.

2.3.3 Sample Size and Distribution

The aggregate number of family homes are, in some cases, based on estimates of family day care spaces, provided by the National Day Care Information Centre. Table 2 illustrates the family day care home sample.

Table 2

Family Day Care Home Sample

Region	# of Family Centre Homes	# of Family Homes in Sample	Completed Interviews
British Columbia/Yukon	652	13	7
Prairies	1 138	22	20
Ontario/N.W.T.	1 178	20	20
Quebec	302	6	5
Atlantic	26	4	4
TOTAL	3 296	65	56

Only one caregiver declined to participate in the study. One provider was eliminated due to problems associated with coding her responses, and seven providers are no longer providing care, or had moved and could not be reached. Of our total sample, 11% were no longer in operation.

2.3.4 Bias in the Sample

The sample of licensed family day care providers appears to be representative. For many provinces, lists with caregivers' names were provided and random sampling was easy. For those provinces operating with agencies, agencies and caregivers were also selected randomly. Because of the consistently high level of cooperation from both licensed providers and agencies, the home day care providers in this study appear to be both reliable and representative of caregivers in licensed family homes.

Three problems arose in data collection:

1. Because of the number of agencies involved in registering family day care homes, it was not possible to contact each one to determine the total number of caregivers in their service. In some cases, total population size is based on estimates of home day care spaces available in the province. While provinces regularly update their lists with the addition of new caregivers, it is not always the case that caregivers ceasing operations are deleted from the printouts.

2. Length of family day care experience is a commonly cited indicator of caregiver professionalism. However, experience is somewhat difficult to define and it is hard to determine what should be included. When asked about the length of time providers had been in the field, many providers included babysitting experience and experience raising their own families. Because of the very subjective interpretations to this question, no common measure could be found. Consequently, responses to this question were not coded for data analysis. As a result, turnover rates are not available for the family day care home sample.

3. Finally, many home day care providers had difficulty providing estimates of their income. To determine income, then, information was collected on parents' per diem fees, number of children in care, number of hours worked each week and monthly expenses. Expenses included such items as food for meals and snacks, insurance, toys and play materials, rent, cleaning, wear and tear, advertising and so on.

   Expenses were extremely difficult to determine. Food and cleaning supplies, for example, were often not purchased separately, but as part of the family shopping budget. Some caregivers provided the costs per day per child that they use when calculating their income tax return. While there is little consistency in how expenses were determined, it was our experience that expenses were generally underestimated, and many legitimate deductions were not included.

   From this data, calculations were made of both gross and net income.

2.4 Survey Results

2.4.1 Worker Profile

2.4.1.1 Job Description

While staff in group day care centres work hard to counter the image that they are little more than babysitters, many of the family day care providers in our study see themselves in this light. When asked to describe themselves, job titles ranged from substitute mother to glorified babysitter. Of those responding, two-thirds view themselves as family day care providers or caregivers. Some, then, view their work not so much as a job with benefits and salaries, but more of an extension of the work they do or did with their own children.

2.4.1.2 Demographics

Women comprise 98% of family day care providers. The survey found only one male caregiver.

The ages of family day care providers are shown in Table 3, at the end of Part Two. On average, the providers are older than workers in group day care. The majority are between the ages of 30 and 50, with one in 10 over the age of 50.

2.4.1.3 Motivation

Caregivers fall into two major categories: young mothers in their late twenties and thirties with their own children at home; and older women in their forties and fifties who care for children in their community, but without young children of their own in care.

Answers to the question, "Why did you start a family home day care?" reflected the ages of the providers. Younger home day care providers often cited their desire to stay home with their own children, and to have company for these children. Some women had worked outside the home before the birth of their own children, but could not afford the costs of child care on their salary.

Older women cited their desire for an interesting activity and something to do. While many lacked training or education that would provide a rewarding job outside the home, they saw their experience as mothers as all that was required to start a family day care home.

But most providers, both young and old, expressed their need for additional income as a motivation for caring for children. One provider, widowed at the age of 55, saw no other alternative for herself. At her age, she felt it would be too difficult to enter the business world.

The only provider in this study without children of her own wanted to gain experience working with children before she started her own family, and at the same time, develop an income base so she could remain at home with her children.

The only male in our sample provided home day care because of two years of unemployment and two young children at home.

2.4.1.4 Duration of Employment

Despite the varied reasons for starting to provide care, many family day care providers see their job as a temporary one. While 10% have been offering care for more than 10 years, many of the younger caregivers plan to offer this service only until their own children are of school age. Some caregivers, however, state they like their job and plan to continue, "until I can't do it any more, physically."

2.4.1.5 Education

Table 4 presents the educational levels of family day care providers. About one-third of providers have not completed high school, while about 40% have a high school diploma. A small percentage of providers have some post-secondary education, but the majority of this training is not in fields related to early childhood education. Only 7% of providers have training in E.C.E.

The most frequent response to the question, "What permits or credentials do you hold?" is "None," or providers describe their background or credentials as "being a parent myself." For many, this was an important qualifying credential.

2.4.1.6 Incentives for Training

When asked what incentives exist for further training in this field, the majority state there aren't any. Many providers see their experience in raising their own families as sufficient training for the kind of work they do. Others state that personal interest and providing the most for the chilren are the only incentives that exist. A few providers, all affiliated with agencies, see increased income or being able to take more children as incentives to attend occasional workshops provided by the agency.

2.4.1.7 Length of Service

All of the caregivers surveyed have some experience in providing family day care, but length of this experience varies substantially. Table 5 illustrates the experience levels of providers. Over fifty per cent of caregivers have been in their current jobs for less than three years and 5% for more than 10 years.

2.4.2 Conditions of Work

2.4.2.1 Hours

Table 6 illustrates weekly hours worked. While hours of operation vary from caregiver to caregiver, 68% work in excess of 45 hours per week, with about 40% working more than 50 hours each week. Only 12% work 35 to 40 hours. One family day care operator, with her husband assisting on a part-time basis, cares for 14 children and is open from 6:10 a.m. until midnight, five days per week.

Table 7 shows that, of their hours of operation, about 70% of providers spend all their time with the children. About 20% spend three-quarters of their time with children. Much of the remaining time is spent in the performance of a variety of household tasks, or as a break while the children are asleep.

Table 8 illustrates the number of unpaid hours worked during an average week. While about 40% work less than two unpaid hours, the remaining 60% work more than two, with one in 10 working in excess of 10 unpaid hours each week.

One-third of providers receive help in operating their family home day care. Husbands and older children provide the majority of this help.

Few of the caregivers surveyed receive paid vacation time. Some schedule their own holidays around those of the parents using their service, but receive no remuneration while the children are not in attendance.

2.4.2.2 Income

Viewed as a wage, the income earned through home day care is extremely low. In keeping with the overall attitude of not considering this work a "job," many caregivers did not know what their income is, nor the amount they spend on expenses.

The income of family day care providers can fluctuate on a month-to-month basis, depending on the number of children in their care, and the number of children in attendance on a daily basis. As a general rule, caregivers and providers are not paid for the days children are absent, regardless of whether their absence is due to illness, vacation, or parental whim.

The income figures were calculated from the current number of children in care on a full-time basis. Table 9 illustrates the mean wages, both gross and net. The mean gross wage (before expenses) is $3.30 an hour ($7 722 annually), and the mean net wage is $2.26 an hour ($5 288 annually) - lower than the minimum wage in each province.

The minimum gross wage earned is $0.96 per hour, and one caregiver states that after expenses are deducted, she nets no income. The maximum gross wage earned is $7.97 per hour, and the maximum net wage is $6.11 per hour. The highest gross wage, however, is earned by the caregiver working 18 hours per day, and caring for 14 children on a staggered basis.

Table 10 illustrates that income is not dependent on level of education or training. No correlation can be found between these two variables.

Table 11 examines the correlation between wages and career duration. While the mean wage of those providers in the field for less than one year is only 65% of that of a provider in the field for more than 10 years, there is no absolute correlation between career duration (experience) and income. Providers with five to 10 years' experience on average earn less than those with one to three years' experience.

2.4.2.2.1 Household Income

Table 12 illustrates the salary contribution of family day care providers to their total household income. For two-thirds of the caregivers in our sample, the income derived from caregiving represents only a small portion of total household earnings, reinforcing the attitude that home day care is more an avocation than an occupation.

Even though many providers had initially entered this field because of a need for additional income, their income comprises less than 25% of their total household income. Five per cent of providers earned all their family income by providing child care.

2.4.2.3 Benefits

For income tax purposes, family day care providers are seen to be self-employed. As such, they are not entitled to Unemployment Insurance, and must make their own Canada Pension Plan contributions.

Their self-employed status is reflected in Table 13, outlining the percentage of providers receiving working condition benefits. Most benefits received are due to an affiliation with an agency.

None of the providers receive paid breaks or paid lunch. Only one in 10 has a written job description, and one in five, written personnel policies.

Less than 10% have access to a formal grievance procedure, but 46% are working with a written contract.

Ten per cent of providers receive the equivalent of a yearly cost-of-living increase, or periodic merit increase. These increases are generally tied to attendance at workshops. Seventeen per cent have access to workshops or periodic in-service training.

Fifty-seven per cent of all providers receive compensation for overtime work, and many providers, including those affiliated with agencies, collect this fee directly from the parent.

2.4.3 Agency Affiliation

Within the broad category of regulated family day care are two subcategories: caregivers operating independently and those affiliated with an agency. Two-thirds of providers in our sample are affiliated with an agency. Each agency provides a variety of services for providers, generally charging a fee to do so. Some agencies collect per diem fees from parents, and then pay the providers on a monthly basis - but less than the fee collected.

In some provinces, agency administration fees are paid for by the provincial government. In Nova Scotia, for example, parents are charged a per diem fee of $11.70 for a full day of care. But providers are paid $7.50 a day for their first four months, $8.25 a day in their first year, and $8.50 a day after attending workshops and additional training.

In Ontario, different agencies provide different services and remuneration. In one city, caregivers receive six-month increments dependent on workshop attendance. A Level One caregiver receives $10.20 per full day, while a Level Five caregiver receives $12.40. A caregiver would have to be with an agency for 2.5 years before Level Five could be reached. With another Ontario agency, caregivers can move up from Step 1 to Step 2 after six months, and with attendance at one workshop. These caregivers receive $10.71 to start and $11.34 after six months. In other agencies, the agency takes an administrative fee off the total parent fees, then pays the caregiver the remainder on a monthly basis. And our study found at least one agency in which parents pay a $25 registration fee, providing them with the choice of two or three caregivers. Then, of the per diem fees parents pay, the agency keeps $3.50 per day per child as an additional administrative fee.

Most providers see advantages to their affiliation. In descending order, these were:

- Some agencies collect the fees from parents and in turn pay the caregiver.
- Some agencies screen and refer clients; thus the provider does not have to advertise.
- Some agencies provide back-up support for problems arising with children or their parents.
- Some agencies provide an emergency list for replacements in case of illness or vacation.
- Some agencies have a toy lending library and provide equipment for infants, such as cribs, playpens and carseats.
- Some agencies have a resource centre.
- Some agencies provide workshops, during which child care is provided.
- Some agencies pay the provider regardless of whether the parents pay their fees.

Other advantages mentioned by providers were the opportunity to meet other home day care providers, the support and encouragement from agency staff, home day care visits by the agency, and a written contract. The only male in our sample stated that the agency affiliation helped him in reducing barriers due to the rarity of a man offering family day care. Four providers affiliated with agencies saw no advantage to their association; in fact, one saw disadvantages.

According to this caregiver, private arrangements allow the caregiver to make individual agreements for holidays and days the child is sick or on vacation. But with her current agency, she is paid for attendance and not enrollment. These constraints would be more tolerable if the traditional benefits of an employer-employee relationship, such as Unemployment Insurance and Canada Pension, were provided. In her words, "You're only self-employed on payday."

The presence or absence of an agency may affect the overall earnings of a caregiver. However, no correlation was found between increased wages and agency affiliation.

Table 3

Age of Family Day Care Providers

Age	Number and Percentage of Total
Under 20	0.0% 0
20 to 30 years	26.8% 15
30 to 50 years	62.5% 35
Over 50 years	10.7% 6
TOTAL	56

Table 4: Education Levels of Family Day Care Providers

Education Level	Number and Percentage of Total
Less than high school	32.1% 18
High School Diploma	39.3% 22
One year E.C.E.	1.8% 1
Two years E.C.E.	5.4% 3
More than two years E.C.E.	1.8% 1
Some university	10.7% 6
B.A., B.Sc., B.S.W.	0.0% 0
Some graduate work	0.0% 0
Master's Degree (E.C.E. or related field)	0.0% 0
Other	8.9% 5
TOTAL	56

Table 5: Length of Time in Present Job

Employment Duration	Number and Percentage of Total
Less than 1 year	23.2% 13
1 to 3 years	46.4% 26
3 to 5 years	10.7% 6
5 to 10 years	14.3% 8
More than 10 years	5.4% 3
TOTAL	56

Table 6

Hours Worked Per Week

Hours of Work per Week	Number and Percentage of Total
Less than 20 hours	0.0% 0
20 to 25 hours	5.4% 3
25 to 30 hours	3.6% 2
30 to 35 hours	3.6% 2
35 to 40 hours	12.5% 7
40 to 45 hours	7.1% 4
45 to 50 hours	28.6% 16
More than 50 hours	39.3% 22
TOTAL	56

Table 7

Work Time Spent with Children

Time Spent with Children	Number and Percentage of Total
1/4 or less	0.0% 0
About 1/2	7.1% 4
About 3/4	21.4% 12
All	71.4% 40
TOTAL	56

Table 8

Number of Unpaid Hours Worked Per Week

Unpaid Hours	Number and Percentage of Total
Less than 2 hours	39.3% 22
2 to 5 hours	23.2% 13
5 to 10 hours	26.8% 15
More than 10 hours	10.7% 6
TOTAL	56

Table 9

Average Gross and Net Hourly Wages for Family Day Care Providers

	Wages	
	Gross	Net
Mean Wage	$3.30	$2.26
Standard Deviation	1.57	1.35
Maximum Wage	7.97	6.11
Minimum Wage	0.96	0.00
Sample	56	49

Table 10

Education Levels and Hourly Wage

Education Levels	Mean Wage ($)
Less than high school n = 14	2.56
High School Diploma n = 20	1.99
One year E.C.E. n = 0	0
Two years E.C.E. n = 3	2.58
More than two years E.C.E. n = 1	1.75
Some university n = 6	2.25
Other n = 5	2.45
Sample 49	

Table 11

Hourly Wage and Career Duration

Career Duration	Mean Wage in Dollars
Less than 1 year n = 7	1.84
1 to 3 years n = 18	2.38
3 to 5 years n = 5	2.38
5 to 10 years n = 8	1.49
More than 10 years n = 11	2.84
Sample 49	

Table 12

Salary Contribution of Family Day Care Providers to Total Household Income

Salary Contribution	Number and Percentage of Total
1/4 or less	62.5% 35
About 1/2	21.4% 12
About 3/4	10.7% 6
All	5.4% 3
TOTAL	56

Table 13

Percentage of Individuals Receiving Working Condition Benefits

Working Condition Benefits	Percentage of Total
Paid breaks	0.0%
Paid lunch	0.0%
Written job description	10.7%
Written personnel policies	19.8%
Formal grievance procedures	8.9%
Written contract	46.4%
Yearly cost-of-living increase	10.7%
Periodic merit increase	10.7%
Periodic in-service training	17.9%
Education allowance (for workshops, courses, etc.)	17.9%
Paid preparation or planning time	0.0%
Compensation for overtime work	57.1%

3.0 A DISCUSSION OF THE RESEARCH FINDINGS

A brief discussion of research findings is presented here for the purpose of identifying critical concerns in the areas of wages and working conditions. These concerns arise out of the data from this study, providing a framework for those interested in further research and analysis. Because of the short time frame and specific focus of the study, no attempt has been made to prepare specific recommendations.

3.1 Group Day Care Centres

3.1.1 Should A Minimum Level of Benefits Be Guaranteed For All Day Care Workers?

Many day care workers do not receive the minimum benefits required by provincial Labour Standards legislation. There is no clear explanation as to why, but a number of factors may be contributing to this situation, including:

- a contained work environment in which the worker cannot be successfully isolated from her work;
- legislated child:staff ratios preventing workers from exercising their right to breaks;
- the financial constraints of a service industry operating on the economic margin, where benefits provided workers directly influence the cost of care, levels of service, or (in the case of commercial centres) profit margins;
- a workforce largely uninformed about their legal rights to specific benefits;
- a workforce where confusion exists as to what types of benefits already exist within their centres;[8]
- a workforce largely unprotected by union contracts or other forms of collective agreements, and consequently, a workforce less able to demand benefits required by law;
- an unwillingness, or inability, on the part of provincial ministries to enforce legislation in the workplace;
- an employer who may be unsympathetic to the demands of day care work and/or ignorant of the needs or rights of workers.

Whatever the reason for lack of benefits in some centres, the current situation appears, nonetheless, unacceptable. As a group, day care workers certainly have as great a need for breaks, maternity leave, paid holidays, and sick leave as does the average Canadian worker. While day care working conditions may mitigate against some types of benefits, this does not explain why municipal centres, and to a lesser degree, unionized centres, are still able to provide comprehensive benefit packages.

If the working conditions or the child:staff ratios prevent centres from providing certain benefits, it could be argued that monetary compensation should be arranged in lieu of these benefits. However, the data indicate that fewer benefits correlate with lower, and not higher, wages.

The fact that many day care workers do not even receive the legal minimums suggests a need for further research in this area to ensure that undue exploitation does not continue.

3.1.2 Will Increasing Basic Training Levels Improve Wages and Working Conditions?

The findings of this study indicate that day care workers are generally well trained, with some significant regional variations. Provinces with the most stringent education requirements also had the highest general education levels per worker.

In a number of provinces, legislation has been enacted that increases educational requirements for workers in day care centres over the next few years. It is safe to assume that overall levels of training will continue to increase in the day care field. It is difficult to predict whether this trend towards higher education levels is likely to have a positive effect on wages and working conditions of day care workers.

Workers providing direct care to children may benefit from age-appropriate training and education. The final report of the National Day Care Study in the United States concluded that caregivers with education and training relevant to young children deliver better care, with somewhat superior developmental effects on children. (Experience and formal education in unrelated areas did not show any significant relationship to measures of quality.)[9]

In other ways, the increased training requirements may be irrelevant, or even detrimental to workers.

- Day care workers are currently over-trained relative to the wage they receive. Increasing their training without ensuring appropriate monetary compensation is likely to frustrate workers, increasing turnover while discouraging new workers from entering the field.

- With the introduction of new training requirements, some experienced workers may encounter pay reductions, lack of advancement, and even pressure to leave their place of employment. Many workers have been in the field for five to 10 years. Training requirements have been changing over this time, and will continue to change. Some workers find themselves with ample on-the-job experience but little formal training to satisfy new requirements. Many cannot afford to take one or two years from work to return to school; many more state that after a full working day, evening classes are not a possibility. The increased training requirements may have a negative effect on these workers unless special supports are available. At present these supports do not exist.

- Training that takes place on a continuous basis is well suited to keeping workers stimulated and free from burn-out or boredom. On-going training can also keep workers up-to-date with the rapidly changing nature of theory and practice in the day care field. The research findings in this study indicate that day care workers do not, at present, see any incentive, other than personal satisfaction, to obtain training in addition to what is essential for the job. Unlike the case of teachers in the public education system, there is little financial recognition for additional training, and currently few opportunities.

- The Early Childhood Education curriculum provides training specific to the needs of day care programming. This job-specific training does not enhance the job mobility and, as such, limits the movement of day care workers into related fields.

3.1.3 Are Wages Stuck Between a Rock and a Hard Place?

Data in this study provide evidence that wages paid day care workers in the formal market are lower than should be the case, when training and experience, the tasks performed, and the inherent value of the work are taken into consideration. Three strategies exist for increasing wages: 1) cutting costs of operation and recycling unspent monies into wages; 2) raising parents' fees (that is, revenue); or 3) increasing the level of public support (subsidies, grants and so on). However, only the third strategy - increased public funding - is likely to improve wages significantly in the formal market.

Currently, day care is a service industry in which 70% to 90% of the total budget is taken up in wages, and few operating costs are discretionary. Even severe cuts in operating costs are unlikely to have a sizeable impact on wages. Cuts in operating costs would only have a severe impact on the quality of care.

At the same time, there is little room for increasing parents' fees. Day care is a highly price-sensitive service in Canada. Fees are already higher than a majority of users can easily afford. In fact, fees are already prohibitive for many more potential users.

The best strategy for increasing wages is to increase subsidies or other forms of public support. But unless specifically targeted for this purpose, additional public support may not in itself improve the wages and working conditions. Because demand for quality day care far exceeds the current supply, increased public support could just as easily be used to improve facilities, lower staff:child ratios or increase the number of available spaces, while leaving wages at their current low levels.

Any effort to improve wages and working conditions raises larger questions about public priorities. Depending on the type of public support available, monies could be used for various goals:

- to directly improve the quality of care for children in the country as a whole; or

- to eliminate the exploitation of women in the home by providing quality child care and allowing more women to enter the paid workforce, if they so desire; or

- to bring more children out of the informal day care market, where quality is in question.

In competition for a limited amount of money, these goals may conflict with a desire to eliminate the clear exploitation of women as workers in the formal day care market by improving their wages and working conditions.

3.1.4 Do Wages and Working Conditions Affect Quality of Care Received By Children?

Turnover rates of day care workers appear to be significantly higher than average. Although no Canadian data could be found on industrial turnover rates, American studies report a national average of 10%. Our study indicated a rate of 17% among day care workers.

The phenomenon of turnover creates stress for staff, parents, and children alike. Caregivers say:

> Children are often disoriented and upset by changing caregivers. Parents are uneasy because of their children's responses and because of their own discomfort about losing someone who knows their children well and the additional stress of developing a relationship with a new provider.
>
> Staff are often demoralized when co-workers leave and must expend extra energy to orient new staff and to meet the increased needs of children and parents.

In "Caring for the Caregivers: Staff Burnout and Child Care," Marcy Whitebrook et al., report on results of American surveys related to turnover. Their research indicates that dissatisfaction and burnout are "less an intrinsic element of the child care worker's personality or activity, and more a function of the context in which the work itself is performed."10

Context refers to the issues raised above: those social forces affecting institutional policy, including available monies, resources and prevailing attitudes towards programs and workers. All of this affects the quality of care children receive. Improving wages and working conditions should reduce turnover rates and generally improve the quality of service available.

3.2 Family Day Care Homes

Family day care, like centre care, is an industry marked with abysmally low wages, no status and long hours, all of which create dissatisfaction and cause attrition among the providers.

Parents choose family home day care over group day care for a variety of reasons. In their submission to the Standing Committee on Social Development of the Legislative Assembly of Ontario, the Ottawa/Carleton In-Home Child Care Providers Association delineated some of these.

> In-home child care creates the kind of atmosphere and environment parents would wish to provide if they were able to care for their children on a full-time basis; it allows siblings, regardless of age differences, to be cared for together... its close proximity to home and neighbourhood schools, and its lower cost are also factors.[11]

But family day care is only less expensive because caregivers are paid so poorly.

> In terms of cost, many day care authorities agree that if an adequate support system to family care is in place, and if the family day care providers are paid a reasonable rate, the cost of providing family day care would be similar to that of centre care.[12]

The lower subsidy rates paid to family homes relative to day care centres have a direct impact on providers' wages. The wages of family day care providers surveyed generally fall below that of the minimum wage. Moreover, for many workers, this wage is not dependable, fluctuating on a week-to-week basis. Benefits are virtually non-existent, and status and training are very low. The short term future for home day care providers appears rather bleak.

Although increasing public support would invariably be beneficial to the wages and working conditions of caregivers, more planning and programming is required if the situation is to improve significantly over the long term.

Special support measures which might assist family care providers are suggested below.

3.2.1 Ensuring a Stable Income

For many caregivers, the absence of a child means no pay. Many caregivers are paid for attendance and not enrollment, regardless of the reason a child is away. Consequently, income fluctuates week-to-week and month-to-month, without either short-term or long-term financial security.

But while income fluctuates, operating costs do not. Costs such as food, materials and equipment are determined on the basis of full attendance, and these costs are assumed by the caregiver in the case of absenteeism.

Payment by enrollment, a system currently in use in group day care centres and some family homes, provides a steady income, regardless of attendance, allowing the caregiver the ability to engage in financial planning.

3.2.2 Adjusting Subsidies to Reflect Real Costs

Wages in the home day care field need to be raised significantly. The average wages for providers bear no relationship to the level of effort or responsibility.

The prevalent view that providers are merely substitute mothers or babysitters partially accounts for their low wage. The majority of women, after all, receive no remuneration for this kind of work.

As is the case in group day care centres, wages cannot be significantly improved by raising parental fees or reducing the amount agencies receive from the daily subsidy rate. In fact, there is little room for movement in either direction. A more effective strategy would be to raise conditions to a level closer to what is provided in group centres.

Subsidy rates paid to home caregivers are currently lower than those paid group centres. The reasoning is that costs are lower in providing care to smaller numbers of children in a home setting. However, if the wages of providers were raised to more appropriate levels, the cost of home day care would be similar to group care. Subsidy rates paid by provincial governments do not appear to accurately reflect the costs of providing care to children in the home environment.

3.2.3 Providing No-cost Training

While many caregivers consider their experience as mothers as qualification for providing in-home care, research projects indicate that the more age-appropriate training, the better the quality of the relationship between child and caregiver. Training levels of in-home providers was generally low. On-going workshops and in-service training (in the case of agencies) could be offered to providers at no cost. This would serve both to increase the quality of this kind of care as well as to increase the status of the caregivers. Public attitudes could be changed regarding the work involved in child care if the public perceived a "profession" involved in the delivery of the service.

3.2.4 Offering Job Benefits Through Innovative Employment Strategies

As self-employed workers, home day care providers derive none of the benefits usually associated with working people.

A re-evaluation of caregivers' employment status and their relationship to agencies may offer a reinterpretation of the self-employed status. Were it presently to the benefit of providers, it would not be difficult to argue that an employee-employer relationship exists between caregivers and their agencies. Under such a relationship, providers would be eligible to make contributions to the Canada Pension Plan and Unemployment Insurance. They would also be eligible for the minimum benefits provided by provincial labour legislation.

3.2.5 Favourable Tax Status

Many home day care providers do not make use of all deductions allowed a self-employed person. Some workers are confused about their status, and when asked, some thought they were indeed employees of the agencies with which they were affiliated. Many did not have a clear idea of the deductions allowed by Revenue Canada. It appears that accurate information on this subject is difficult to find.

If necessary, Revenue Canada should be requested to make a special ruling on the status of home day care workers, outlining reasonable categories of deductions allowed. In the event that some home day care providers affiliated with an agency prove to be employees of that agency, Revenue Canada should provide guidelines for both self-employed workers and agency employees.

3.2.6 Organizations and Associations for Caregivers

Many home day care providers are tremendously isolated. Adult company can be non-existent. Caregivers affiliated with an agency often cited the monthly visits by agency personnel and their contact with the agency as a positive attribute of that relationship.

Associations of family day care providers could reduce the isolation caregivers experience while at the same time providing them with a louder voice in lobbying for progressive change for the profession. A membership organization could also explore issues such as self-regulation, or employer-employee relationships. An association of home day care providers would also be able to inform parents, legislators and the community at large about the realities of work in the home day care field.

3.3 Conclusion

Employees working in the day care field share employment frustrations common to many Canadian women. Jobs of caregivers, both those in group centres and those in family homes, are characterized by inadequate salaries, lack of benefits, low status and no room for career development or advancement.

The E.C.E. career ladder is painfully short, and once the position of co-ordinator or director is reached, there is virtually nowhere else to climb. Skills associated with family day care are not seen to be readily transferable to many other jobs.

Compensation that workers and providers receive is not a realistic indication of the training and skill required, nor of the importance of the work.

The unavoidable conclusion to this study of wages and working conditions is that day care workers and family home providers can no longer be expected to carry the weight of an underfunded system. Governments and industry will have to take action now to improve the conditions under which day care employees and family home providers work.

NOTES

1 Information on unionized centres was obtained through telephone interviews with numerous unions, associations and workers.

2 Marcy Whitebrook, Willa Pettygrove, Salary Survey: How? Why? Who? When? Where? The Child Care Employee Project, California, p. 27.

3 Six centres and three employee questionnaires were eliminated because they were not part of the target population being studied. A further five centres and 30 workers were not included because their questionnaires were returned after the closing deadline and after data analysis had begun.

4 Income lines are established by averaging the amount of income Canadian families spend on food, clothing and shelter. In 1978 (the most recent data available), this amount equalled 38.5% of income. It is assumed that poor families devote an above-average proportion of their income to these necessities. The low income cut-offs are set at levels where, on average, 58.5% of income was spent on food, clothing and shelter. Any family or single person with income at or below the relevant poverty lines is defined as low-income. (National Council of Welfare).

5 National Day Care Information Centre, Status of Day Care in Canada, 1983.

6 National Day Care Information Centre, op. cit., 1983.

7 Ibid.

8 In some of the centres surveyed, worker responses conflicted as to the type of benefits received, and whether or not the centre was unionized.

9 Abt Associates. Children at the Centre, Executive Summary. Day Care Division, U.S. Department of Health, Education and Welfare, 1979, p. 3.

10 Marcy Whitebrook et al. "Who's Minding the Child Care Workers?": A Look at Staff Burn-out," Children Today, Jan.-Feb., 1981, p. 5.

11 Ottawa Carleton In-home Child Care Providers Association. Submission to the Standing Committee on Social Development of the Legislative Assembly of Ontario.

12 National Day Care Information Centre, op. cit., 1983.

APPENDIX A

Sources of Information on Day Care Centres in Canada

British Columbia, Manitoba, and Ontario provided 1984 computer printouts. British Columbia's printout included both group and family centres, with a separate code for each. Manitoba's printout contained separate listings.

Because Ontario's family day care homes are organized through agencies, the Province does not maintain a list of family day care operators. However, Ontario was able to provide a 1983 list of provincially-licensed agencies offering private home day care.

Alberta provided a listing of group day care centres organized by region, and updated as of July, 1984. Family day care homes are organized through agencies. Agency names were found through the telephone directories of that province.

Saskatchewan provided a list divided by region as well as by type (group centre or family day care home).

Quebec publishes a booklet entitled "Ou faire garder nos enfants? 1984". The booklet lists group centres and family day care home agencies by region and is available to the general public.

Nova Scotia provided a booklet entitled "Day Care Facilities, Province of Nova Scotia, 1984," also available to the public. Family day care homes are supervised through one provincially-licensed agency, but the province provided the names of family day care providers.

New Brunswick supplied a listing of group day care centres by region as of July, 1984. There are no licensed family day care homes operating in that province.

Prince Edward Island provided a copy of their booklet, "Parent's Guide to Early Childhood Programs, 1981." An August, 1984, updated revision list accompanied the booklet. Prince Edward Island has few family day care homes and provided these names separately.

Newfoundland provided a list of group centres operating as of March 1984. Newfoundland has no licensed family day care homes.

The Yukon provided a list of both group centres and family day care homes, while the North West Territories provided a list of the locations in which their group centres operate. The Territories do not license family homes.

Once obtained, the lists were scrutinized with a view towards eliminating those centres that did not fit into the scope of this study.

The remaining centres and homes were then assigned a five digit code identifying the region, centre, and employees.

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MUNICIPAL INITIATIVES IN CHILD CARE

Report prepared by Tamra L. Thomson
for the Task Force on Child Care
January 1985

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INTRODUCTION

The purpose of this paper is to examine the role of municipal governments in child care in Canada and to analyse the effect of their involvement on services in the community.

There are many factors which determine whether and to what extent municipalities become involved in child care. First of all, municipal governments owe their existence to and derive their power from the provincial government. Consequently, action taken by a municipality is predicated on the jurisdiction delegated to it by the province. Next, the initiative depends on the political will of the particular municipal council. This in turn can be influenced by members of the community and by municipal government officials. Financial considerations have a large impact on how priorities are set. All of these elements interact and result in municipal government involvement ranging from actual provision of services in municipal day care centres to facilitating services through zoning by-laws and development control agreements to no involvement.

This paper will outline examples of activities undertaken by municipal governments. It is not intended to be an exhaustive study of all programs in the country, but rather a representative sample of how municipalities have reacted to community needs for child care. It should be noted that municipal initiatives in its role as employer, by providing workplace day care for their employees, are not covered in this study: reference should be made to the paper on Workplace Day Care.[1] Following the definition of child care adopted by the Task Force on Child Care, community recreation programs for children are not examined in this report, either. Readers should keep in mind, however, that some parents use these programs to meet at least part of their child care needs. The third significant area not dealt with in this report are services provided by Indian Bands in their role as local government, since they will be covered in the report on Services to Indian Children.[2]

CURRENT MUNICIPAL INVOLVEMENT

1. Direct Funding of Services

Programs eligible for cost-sharing under C.A.P.

Because of the direct mandate given by the governments of Ontario and Alberta, municipalities in these provinces are active in subsidizing child care services within their boundaries.

Ontario: In Ontario, municipalities pay 20¢ of each dollar spent on day care subsidies for families "in need" under the Canada Assistance Plan.[3] The provincial government pays 30¢ and these funds are matched with 50¢ from the federal government. Administration of social services generally and day care subsidies in particular has been delegated to local governments by the province.

Thus the local government, thought to be in a better position to determine local needs, can plan programs and establish priorities. Budgets, however, must be approved by the provincial government. The approved amount does not always permit the municipality to serve all of those that it identified to be "in need".

Municipal expenditures for day care subsidies are also dependent on the priority placed on such services in relation to other demands made on its budget by the particular local government. Table 1 shows the per capita spending for children to age 9 by municipality and by population distribution. Even within population catagories, the spending range is great. In metropolitan areas: $28.12 - $103.27 per child. In urban areas: $15.41 - $51.72 per child. In rural areas: nil - $52.35 per child.

Ontario municipalities can meet their responsibility for subsidizing day care services either by operating centres or by entering into purchase of service agreements with independent (profit or non-profit) operators or persons furnishing private-home day care.[4]

Because priority programs and fee structures are established in each municipality, families receiving "full subsidies" find differing eligibility criteria and minimum fees in different parts of the province. Table 2 shows the minimum user fee for subsidized families by municipality.

Capital costs are not eligible for cost-sharing under CAP. However, the province will share the cost of building new municipally-operated day care centres through the Community Services Contribution Program. Few municipalities take advantage of this money, saying that it is difficult to find funds to match the provincial contribution within the municipal budget.

<u>Alberta</u>: Until 1980, Alberta municipalities paid 20¢ of each day care subsidy dollar under C.A.P. and administered the subsidy programs at the local level. In 1980, the province took over full funding and administration of the provincial share of CAP money for pre-school day care. Out-of-school programmes remain the responsibility of each municipality. The province directs some money to the municipality under its social care facilities funding, which can be used for out-of-school subsidies. There is, of course, a ceiling set by the provinces on this money.

Other eligible expenditures by the municipality can be cost-shared with the federal government under C.A.P. These applications are sent to the provincial government, who in turn passes the bill on to the federal government for collection.

<u>Programs not based on CAP funding</u>

Municipalities also provide direct funding to day care services that do not qualify for cost sharing under CAP. For example, the City of Edmonton will top-up provincial subsidies to community non-profit centres meeting higher standards established by the City. Thirteen centres have been approved by the City, representing about 10% of the pre-school spaces. Approximately $1 million went into this program in the 1983-1984 fiscal year.

The City of Toronto provides Day Care Centre Grants to licensed non-profit centres to assist in paying staff salaries. These grants were implemented to alleviate the problem of low wages to day care workers, which can constitute about 80% of the operating cost of a day care centre. A report adopted by City Council concluded that wages of child care workers are generally depressed to maintain affordable user fees.[5] Therefore, the grant must be used to increase staff salaries (where they are below the average among non-profit centres) or to maintain the salary level (where it would otherwise be necessary to raise user fees to meet other expenses).

The City of Vancouver provides limited capital grants to assist in the construction of new centres. Start-up and operating grants have also been given for special programs.[6]

2. Provision of Services

A number of municipalities in two provinces - Alberta and Ontario - have operated day care centres for children in their communities to partially meet their responsibility for day care services delegated by the provincial government. Enabling legislation in two other provinces - Nova Scotia and Quebec - permit a municipality to apply for a licence to operate a child care facility,[7] but only one municipality has applied for such a licence to date.

Municipal spaces account for a very small percentage of the total day care spaces in Canada. In 1983, 6,800, or 5.51% of the centre spaces in Canada were publicly sponsored.[8] Breaking these figures down further will better reflect the situation in the two provinces where public spaces actually exist. There were 800 such spaces in Alberta in 1983; 3.48% of the total Alberta spaces. In Ontario, the 6,000 public spaces constituted 13.28% of the total in that province.[9]

The City of Calgary operates three day care centres and administers a family day home program providing both pre-school and out-of-school care. The centres were established when the City was still responsible for all day care services and continued operation when the Province of Alberta assumed responsibility for pre-school care in 1980. The centres are located in areas where need was demonstrated, but where independent operators were unwilling to establish day care services. Because of their location, the centres serve mostly low-income families.

A number of municipalities in Ontario meet part of their day care responsibility by operating their own centres. These centres are intended to complement the privately-operated services in the community. They are targetted for use by those deemed most in need by the municipality; usually low income families, single-parent families and children with special needs.

Some spaces, however, remain open to children not eligible for subsidies. Many municipalities have been indirectly subsidizing these latter spaces, by charging the fee-paying parents less than the actual per diem cost of providing care.[10] The Province of Ontario has directed that this practice be phased out (by January 1, 1986) and that parents not eligible for subsidies pay the actual cost of care.

The City of Verdun has one municipally operated centre which has 30 spaces for children aged two and a half to six years old. Incentives for becoming involved in the provision of child care services were:

i) the lack of day care centres in the City of Verdun;

ii) the building of a new community centre which would have adequate space for a child care centre;

iii) numerous requests from Verdun residents for child care services.

Anyone is eligible for a space in the centre, although Verdun residents are given priority. Prior to April 1st, 1985, the centre was funded exclusively by parent fees. As of April 1st, 1985, the Quebec government made available a $4.00 per day per child subsidy for any municipality in the province. So far, the City of Verdun has been the only municipality to take advantage of this provision. The city can also increase its capacity and continue to receive the same subsidy per day per child. The municipality also provides a rent-free space for its centre with free cleaning and janitorial services.

3. Indirect Funding

Municipalities can provide assistance to private day care operators which help to keep costs and thus fees, at an affordable level. The two most common of such benefits are low-rent or rent-free premises in which to operate and exemption from paying property taxes.

Reduced rent facilities are often provided by Boards of Education in unused school spaces. Other municipally-owned property can also be provided. In the province of Quebec, for example, there are 28 day care centres located in municipal buildings.

Provincial legislation governing property assessment often exempts certain classes of landowners from paying municipal property taxes. Some examples include: Crown lands, municipal lands, school property, railways, churches, cemetaries, minerals, universities, Indian reserves, hospitals, crops, farm buildings, senior citizen homes or charitable institutions. In addition, landowners not within an exempt category can apply to the province or independent tribunal constituted for this purpose for an individual exemption. Generally speaking, such tax exemptions are given only for property owned and used by non-profit organizations, or if the landowner can show that the taxes could not be paid by reasons of poverty.

Alternatively, the municipality can give a grant to a non-profit organization to offset the amount of property taxes due.

In the City of Toronto, a problem has arisen of whether and how to exempt taxes on commercial space provided rent-free to a non-profit day care centre. A report on point adopted by City Council in April 1984 is currently under study.11

Municipalities stand to lose substantial amounts of tax revenues in expanding the number of tax exemptions. However, certain social benefits accrue from the institutions which are generally exempt and which would be unduly burdened by a tax assessment. Commercial enterprises may be more inclined to provide space for non-profit day care if they could be ensured of a tax break for doing so.

4. Non-Monetary Assistance

Municipalities can facilitate the development of day care services in their jurisdiction as an extension of other general responsibilities they have taken on. Four examples will be examined here:

- centralized information services to residents;
- zoning by-laws;
- development incentives;
- inspection of premises.

Information Services:

Many parents seeking child care are not aware of the range of facilities available in their community. Some municipalities provide information services to educate parents about their choices. In Ontario, where the municipalities administer the day care subsidies, the information component is generally part of the social services department. The same is true to a lesser extent in Alberta municipalities responsible for out-of-school care.

When the B.C. Ministry of Human Resources closed its Day Care Information Office, the City of Vancouver provided some funds to Dial Day Care which will operate as part of the City's general phone-in referral service.

Zoning By-laws:

Municipal governments have the responsibility to plan and control land use in their boundaries. The main vehicle for executing this reponsibility is land use or zoning by-laws. Such by-laws generally work to restrict particular uses to specified areas of the municipality. Day care may be listed as a particular use.

The City of Ottawa, for example, lists "licenced day nurseries" and "private home day care" as permitted uses in certain zones. "Private home day care" is permitted as a residential use in low and medium density residential zones. "Licenced day nurseries" are allowed as residential or public uses in most medium and high density residential zones, as commercial or public uses in most commercial zones, and as a public use in certain light industrial zones. Day care could also be provided if it was accessory to the principal use of the land permitted within the zone.

A zoning by-law could act to deter development of day care centres. For example, centres may not be a permitted use in residential zones, thus preventing that type of service from operating close to the child's home. This could lead to longer travelling time and distance for the child to reach the facility or greater reliance on informal day care homes in the neighbourhood. Restrictions on land use may also work to prevent care in a private residence. Alternatively, a zoning by-law which does not permit day care centres in any industrial zones would preclude a work-place day care situated near, but not on the property, of a particular operation.

Many zoning problems arise from omission, rather than a conscious effort on the part of the municipality to deter child care development. Often, it is simply not an item on the agenda when comprehensive zoning and planning priorities are formulated.

Development Incentives:

Municipalities can take a greater or lesser role in the planning of particular development projects within their jurisdiction. Such projects may be residential, commerical, industrial or a combination of these and others. They may constitute one renovated building or a new industrial park or a residential suburb. Indeed, the project may be a new day care centre or family resource centre. Particularly in larger urban areas, planning and building officials offer their expertise to developers in addition to ensuring that the development complies with the city by-laws and council priorities. For example, zoning and building code requirements must be met; services such as roads, sewers and utilities must be provided; parks and other recreational facilities may be deemed necessary; there may be concerns about parking; schools may need to be built in new residential areas; a mix of housing stock may be desired in a particular area. A number of municipal officials with different expertise may be involved in the process.

Far too many municipalities have not included child care on their check list of things to look for in considering approval for a new development. Those municipalities trying to ensure that child care is a consideration have had varying degrees of success.

Vancouver's Social Planning Department reviews both non-profit housing development proposals and major private applications to determine if day care space can or should be included.[12] Land or space in some developments have been provided by the developer, usually in return for "bonusing" on the density or other zoning requirements.[13]

The City of Toronto has established a Task Force on Work-related Day Care, working within the Planning Department, with a mandate to educate employers and developers and to promote the concept of workplace day care. Task Force staff provide expert advice to developers and assist in finding acceptable conditions for day care space related to the development.

Ensuring that child care space is provided and then used to its full potential can be a complex problem for the municipality. First of all, the municipality must have a policy giving priority to the development of child care services, which must be communicated to municipal planners and to

developers. This policy may be articulated formally in official plans, zoning by-laws, council resolutions, or other such instruments, or through informal channels. Next, there must be an advantage to developers to provide the amenities. It may be that the developer is willing to provide space and perhaps even start-up costs, but wants no continuing responsibility for the operation. An operator must therefore be found, along with assurances that on- going costs can be met. The service must be such that it will serve the needs of the target population (employees in a commercial or industrial development; residents in a residential area). Most importantly, the agreement between the municipality and the developer must be enforceable: written into the subdivision agreement or development control agreement in such a way that other approvals or "bonusing" agreements are clearly contingent on following through with the day care provisions.

Inspection of Premises:

Planning for child care services is more often initiated by community interests, rather than the municipality. But many of these projects (with the exception of informal home care) must come into contact with municipal officials: for building permits if building or renovations are required and for health and safety inspections.

In many provinces, certain inspection duties have been delegated to municipal authorities to ensure compliance with provincial standards. These may include building safety standards, fire code requirements, or health factors by the medical health officer.[14]

CONCLUSION: IMPACT OF MUNICIPAL SERVICES

Regardless of the particular action taken by a municipality to facilitate child care services in the community, the local government is often providing a stop gap service. They are generally actors of the last resort. And although the work done by some municipalities has had a very positive impact on the development of child care facilities, within their boundaries local government may not necessarily be the best vehicle for such action. Alternatively they often don't have sufficient resources to fulfill community requirements.

Members of the community often turn to the local government with their concerns, since it is the most visible and accessible government. Provinces delegate certain responsibilities to the municipality because it is in a better position to determine and meet local needs. However, the monetary support does not necessarily follow. This complaint is made particularly by Ontario municipalities, who must administer day care subsidies but are subject to budget approvals by the province and reliant on money from both provincial and federal governments under CAP.[15]

The municipality may well be "closer to the people" and therefore better able to set local priorities. On the other hand, if a particular municipality does not see child care as a priority, that community may suffer from having even fewer resources to meets its child care needs. Uniformity of service levels are not guaranteed from one area to another.

Those municipalities operating child care programs see their work as complementing services offered by the private operators. They establish programs to meet particular needs when the private operators do not move in.

The bottom line is that municipalities are caught in the middle.

NOTES

1 Prepared for the Task Force on Child Care by Laurel Rothman and Jane Beach, December 1984.

2 Prepared for the Task Force on Child Care by Diane Bays, December 1984.

3 O. Reg. 760/83, s.68

4 Day Nurseries Act, R.S.O. 1980, c.111, ss.3-5, as am.

5 City of Toronto, Role of City in Day Care, Report of the Subcommittee on Day Care, adopted as amended by City Council, December 12, 1983.

6 City of Vancouver, Mayor's Task Force on Day Care, Report to Council, 1984.

7 Day Care Act, S.N.S.1978, c.6., s.12, as am. Loi sur les services de garde à l'enfance, L.R.Q. 1984, c.S-41. s.4, as am.

8 Health and Welfare Canada, Status of Day Care in Canada, 1983. Table 3, p.8.

9 Ibid. Table 7, p. 11.

10 Metro Toronto Community Services Department, Municipal Role in Subsidized Day Care: Some Current Issues, Ontario Municipal Social Services Assn., May 1984, p. 22 et seq. and Appendix A.

11 City of Toronto, Property Tax Exemption for Non-Profit Day Care Centres, Report of Task Force on Work-Related Day Care, adopted by City Council, April 1984.

12 Supra, Note 6.

13 "Bonusing" refers to the practice whereby the municipality will allow development beyond that usually permitted in the zoning by-law. For example, height restrictions or a floor-space ratio may be waived to a limited extent, in return for something the municipality deems desirable. (for example, additional public parking spaces.)

14 For a provincial breakdown of this aspect, see Enforcement of Provincial Child Care Standards, prepared by the Task Force on Child Care by Tamra L. Thomson, January, 1985.

15 Supra, Note 10.

Table 1

Day Nurseries Per Capita Expenditure for
Children 0-9 By Urban/Rural Population Distribution

By Region/Area	County	1981 Total Population	Child Population 0-9 Years	Day Nurseries Expenditure - Fiscal Year Ending March 31/81	Per Capita D.N. Expenditure for Children 0-9 Year
Metropolitan Areas: (over 400,000)					
Central	Peel	490 731	84 600	$ 2 379 718	28.12
	Toronto	2 137 395	251 325	24 906 431	99.10
Southeast	Ottawa-Carelton	546 849	69 655	7 192 953	103.27
Southwest	Hamilton-Wentworth	411 445	53 890	3 374 625	62.62
		3 586 420	459 470	$37 853 727	82.39
Urban Areas: (150,000 up to 400,000)					
Central	Simcoe	225 071	33 725	$ 526 249 534 167 (Barrie)	28.51
	York	252 053	39 620	1 315 103	33.19
Southeast	Durham	283 639	46 390	1 955 131	42.15
North	Sudbury	186 847	30 145	464 501	15.41
	Thunder Bay	153 997	23 050	195 166 953 858 (City of TB)	49.85
Southwest	Essex	312 476	45 675	477 154 1 885 332 (Windsor)	51.72
	Halton	253 883	37 375	1 117 949	29.91
	Middlesex	318 184	43 960	305 209 1 786 235 (London)	47.58
	Niagara	368 288	49 595	1 829 627	36.88
	Waterloo	305 496	47 145	1 619 310	34.35

Day Nurseries Per Capita Expenditure for
Children 0-9 By Urban/Rural Population Distribution

By Region/Area	County	1981 Total Population	Child Population 0-9 Years	Day Nurseries Expenditure - Fiscal Year Ending March 31/81	Per Capita D.N. Expenditure for Children 0-9 Year
Rural Areas: (under 150 000)					
Central	Dufferin	31 145	5 250	$ 184 266	35.10
Southeast	Dundas-Stormont Glengarry	101 127	14 430	19 671 379 915 (Cornwall)	27.69
	Frontenac	108 133	13 900	12 516 628 289 (Kingston)	46.10
	Hastings	106 883	15 130	375 927	24.85
	Kawarth-Haliburton	11 361	1 330	-	-
	Lanark	45 676	6 150	167 931	27.31
	Leeds-Grenville	80 941	10 905	12 649 7 301 (Brockville)	1.83
	Lennox-Addington	33 040	5 200	-	-
	Northumberland	64 966	9 055	18 443	2.03
	Peterborough	102 452	13 740	76 653 597 080 (Peterborough)	49.03
	Prescott-Russell	52 777	8 105	268 582	33.14
	Prince Edward	22 336	2 890	58 161	20.12
	Renfrew	87 484	12 525	253 592	20.25
	Victoria	47 854	6 800	11 056	1.63
Southwest	Brant	104 427	15 605	816 909	52.35
	Bruce	60 020	9 940	129 233	13.00
	Elgin	69 707	10 520	125 445 139 966 (St. Thomas)	25.23
	Grey	73 824	10 495	368 585	35.12
	Haldimand-Norfolk	89 456	13 250	54 365	4.10
	Huron	56 127	8 595	218 980	25.48

Table 1

Day Nurseries Per Capita Expenditure for
Children 0-9 By Urban/Rural Population Distribution

By Region/Area	County	1981 Total Population	Child Population 0-9 Years	Day Nurseries Expenditure - Fiscal Year Ending March 31/81	Per Capita D.N. Expenditure for Children 0-9 Year
	Kent	107 022	16 455	291 736 334 252 (Chatham)	38.04
	Lambton	123 445	19 175	330 776 670 550	52.22
	Oxford	85 920	12 900	322 842	25.03
	Perth	66 096	10 015	115 006 236 580 (Stratford)	35.11
	Wellington	129 432	19 445	786 524	40.45
North	Algoma	133 553	21 685	143 671 (Sault Ste. 317 949 Marie)	21.29
	Cochrane	96 875	16 230	438 667 180 995 (Timmins)	38.18
	Kenora	59 421	11 475	671 733	58.54
	Manitoulin	11 001	1 880	139 084	73.98
	Muskoka	38 370	5 020	54 755	10.91
	Nipissing	80 268	11 855	- 222 942 (North Bay)	18.81
	Parry Sound	33 528	4 390	55 037	12.53
	Rainy River	22 798	3 630	109 064	30.05
	Timiskaming	41 288	6 200	44 559	7.19
	Total (Rural Areas)	2 378 753	354 170	$10 392 167	29.34
	Total (Ontario)	8 625 107	1 210 320	$63 111 425	52.14

Source: Ontario Ministry of Community and Social Services, 1983.

Table 2

1982 Minimum User Fees For
Families Without Available Income

Municipality of:	Fees Assessed:
Barrie	$1.00 per day per child
Brantford	$10.00 per month per child
Chatham	$5.00 per week
Elliot Lake	$1.00 per day
Halton	at least $0.25 per day per child but generally $1.40 per day per child
Hamilton	0
London	0
Metro Toronto	$1.00 per day per child*
Niagara	$1.00 per day per child
North Bay	0
Orangeville	$1.00 per day for the first child and $0.75 for each added child
Oshawa	$1.00 per day
Ottawa-Carleton	$10.00 per month per child
Peel	$2.25 per day per child for single parents $6.25 per day per child for two parents
Peterborough	$7.50 per week GWA/FBA recipients $12.50 others
Sault Ste. Marie (Parks and Recreation)	$1.00 per day per child
Sault Ste. Marie (Social and Family Services)	$1.00 per day per child
Simcoe County	$1.00 per day
Smith Falls	$0.90 per day per child
Stratford	$5.00 per day per child
Sudbury	$0.50 per day
Timmins	$2.00 per day per child
Thunder Bay	$16.00 per child per month
Waterloo	0
Windsor	$1.00 per day
York	$5.00 per week

* Actual fee assessed in 1982 was $1.50 per day per family with discretion to reduce the fee to $1.00 in cases of hardship.

Source: Policy on Needs-Testing and Fee-Charging for Day Nurseries Services, Ministry of Community and Social Services, Operations Division, 1982.

GOVERNMENT SPENDING ON

CHILD CARE IN CANADA

Prepared by:

Christine Blain,
Task Force on Child Care
August 1985

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I INTRODUCTION

Concern is now being expressed with more and more frequency that we are facing a crisis in child care in Canada. The chief concerns appear to be: (1) that there is an inadequate supply of care of adequate quality and that the supply which does exist is not well distributed; and (2) that good-quality care is beyond the means of many Canadian families, under current arrangements.

The purpose of this paper is to provide a description of the financial support that is currently provided for child care in Canada by the provincial/territorial and federal governments, together with the impact of these measures on families at various levels of income.

The demand for child care has increased over the past decade with increasing labour force participation of women with children. While relevant data are scarce, Health and Welfare Canada estimates[1] that, in 1985, there were some 2.3 million families in Canada with children under 12 years of age whose principal source of income was employment or self-employment earnings. Both parents were employed in 1 175 000 (52%) of these families. One parent was employed and one was either unemployed or not in the labour force in 907 000 families (40%). The remaining 175 000 families (8%) were led by an employed single parent. Another 332 000 Canadian families with children under 12 received their income primarily from government or private sources other than employment. The "traditional" family consisting of a breadwinner, homemaker, and dependent children, has thus been replaced by the two-earner family as the predominant family type.

Parents provide care for their children during their working hours in a variety of ways. A survey conducted by Statistics Canada in 1981[2] found that 20% of two-earner parents with preschool-aged children provided all necessary care themselves. Other preschoolers are cared for in child care centres or supervised private homes (between 9.6% and 34.4%, depending on the child's age) and in unsupervised private homes (which may or may not be the child's own home).[3] The Statistics Canada survey revealed that 16% of all school-aged children aged 6 to 14 cared for themselves after school, 71% were cared for by their parents and 5% by siblings. The remaining 8% received care (1) in their own homes by another relative or a non-family member, (2) in another private home (This care may be supervised or unsupervised.), or (3) in a day care centre. Data collected by the National Day Care Information Centre at Health and Welfare Canada confirm that sufficient licensed before- and after-school spaces existed in 1984 to serve only 2.6% of the children from 6 to 12 years of age whose parents worked or studied 20 or more hours each week.

The extent to which individual families benefit from existing government financing measures depends upon a number of interrelated factors, including family income, type of child care used, availability of a subsidized space (if the family's income is sufficiently low to qualify for subsidy), and willingness of unlicensed caregivers to provide receipts. As will be seen in the discussion that follows, such financial assistance as is provided by government in Canada is available to only a minority of those who use child care services.

II FEDERAL GOVERNMENT MEASURES

The federal government provides financial support for child care through four measures: (1) the Child Care Expense Deduction (CCED) allowed on a parent's income tax return; (2) cost-sharing of subsidized child care for low-income families under the Canada Assistance Plan (C.A.P.); (3) child care subsidies for those taking training courses sponsored by Employment and Immigration Canada; and (4) contributions by Indian and Northern Affairs Canada to child care programs on Indian reserves. The federal government spent an estimated $224 million on these four measures in 1984-5, as the following Table shows.

Table 1

1984-85 Estimated Federal Expenditure

	($ millions)
A. Child Care Expense Deduction	115
B. C.A.P.-sponsored child care spaces	90
C. Child care subsidies for those taking EIC training courses	16.9
D. INAC contributions to child care on Indian reserves	2.5
Total	$224.4

Sources: Department of Finance Canada, Health and Welfare Canada, Employment and Immigration Canada, Indian and Northern Affairs Canada.

(1) Child Care Expense Deduction

This measure permits parents to claim a deduction for income tax purposes of up to $2000 per child ($8000 per family), for child care expenses incurred for a child under 14 years of age. The deduction must be claimed by the lower-income spouse. The total claim must not exceed two-thirds (2/3) of that spouse's income.

The Department of Finance estimates[4] that, for the 1984 taxation year, the tax expenditure for the measure was $174 million, of which $115 million is derived from federal revenues, and $59 million from provincial and territorial government revenues.

Provincial and territorial governments (other than Quebec) contribute automatically to the cost of the tax deduction because of the structure of the income tax system. A deduction reduces taxable income, reducing federal tax payable, and, because provincial taxes are expressed (in nine provinces and both territories) as a proportion of federal taxes, provincial/territorial revenues are also reduced. In the 1984 taxation year, provincial/territorial tax rates ranged from a low of 43% of federal tax payable in the Northwest Territories, to 60% in Newfoundland.

The differences in provincial tax rates produce effective marginal rates of tax that differ from province to province, and thus the value (expressed in terms of taxes saved) of a deduction, such as the Child Care Expense Deduction, varies from province to province for individuals having the same taxable income.

Quebec residents file two income tax returns. Parents who incur child care costs may claim the $2000 Child Care Expense Deduction on their federal income tax return under the same conditions as any other Canadian taxpayer. On the provincial income tax return, Quebec residents are given a choice of claiming the $2000 Child Care Expense Deduction for each child, or a tax credit of $300 for the first child, $200 for the second and $100 for each subsequent child under 6.[5] Quebec taxpayers with low incomes or who do not have the required receipts are better off claiming the tax credit; those with higher taxable incomes derive more benefit from the deduction.

Because the measure is a deduction, it provides a higher level of benefit to higher-income taxpayers than to lower. The deduction was worth approximately $1000 per child to two-earner families with incomes in excess of $131 900 in 1984, $500-$600 to those earning the average family income for two-earner families with children under 12 ($43 000), and nothing at all to a single parent earning less than $10 350.[6]

The Income Tax Act contains no restrictions regarding quality of care (other than that the care was provided in order for the parent to earn income), but does require parents to produce receipts bearing the social insurance number of private caregivers. The exact size of the grey market in child care in which unsupervised family home caregivers refuse to provide receipts to parents is uncertain, but we do know that in the 1983 taxation year, the most recent year for which preliminary tax statistics are available, the deduction was claimed by 451 593 taxpayers for the care of an estimated 700 000 children.[7] The National Day Care Information Centre at Health and Welfare Canada estimates that, in the same year, there were 1.5 million children in Canada whose parent(s) worked or studied at least 20 hours each week. Fewer than half this number claimed the Child Care Expense Deduction. The deduction is, of course, worth nothing at all to the families of the 800 000 or more children on whose behalf no claim was made in 1983.

(2) Canada Assistance Plan

Under the Canada Assistance Plan (C.A.P.), the federal government shares with provincial/territorial governments the cost of providing subsidized child care to families which are "in need" or "likely to become in need". The cost of providing such subsidized care is shared on a 50-50 basis between the two levels of government. Federal spending on this program for the 1984-5 fiscal year was an estimated $90 million.[8]

Whether the province or territory makes its claim under the social assistance provisions or the welfare services provisions of C.A.P. affects the types of child care eligible for cost-sharing.

Under the social assistance provisions, the federal government will cost-share programs established by the province of assistance to persons who are in need, regardless of the source of the service. In the case of child care, the federal government will cost-share any type of care that the province is willing to subsidize: licensed, unlicensed, profit, non-profit. However, need may be established only by application of a "needs test" (i.e. the "budget deficit" method). Therefore, provinces and territories that employ a needs test for eligibility for child care subsidy may claim cost-sharing funds from the federal government for child care provided in a profit centre or private arrangement, as well as care provided in non-profit or government-sponsored centres and family homes. Ontario and the Northwest Territories both use a needs test and make their claims for federal cost-sharing of subsidized child care under these provisions of the Canada Assistance Plan.

Provincial child care subsidies to those who are likely to become in need are also eligible for cost-sharing under the welfare services provisions of C.A.P. Likelihood of need may be determined by an income test, but federal cost-sharing is restricted to services provided either by the provincial government or the voluntary (non-profit) sector. As a result, in provinces that employ an income test for eligibility for child care subsidies, only subsidies on behalf of children enrolled in government- operated or non-profit centres are eligible for federal cost-sharing. Thus, in Alberta, for example, in which 70% of centres are operated for profit,[9] the provincial government contributed 81% of the $21.1 million budget in 1984-5 for financial assistance to low-income parents.[10]

Federal guidelines establish the maximum incomes for families that the federal government would consider eligible for cost-shared assistance under the C.A.P. welfare services provisions. The level of income provided by the combined Old Age Security pension and Guaranteed Income Supplement is used as a base and adjusted according to family size. The limits for single parents and two-parent families with one and two children that applied in December 1984 are shown in the following Table. Each additional child raised the limit by $306 per month. The federal government will cost-share partial subsidies up to income levels that are 150% of the full subsidy rates.

Table 2

Family Incomes Under Federal "Likelihood of Need" Guidelines

(December 1984)

	Full Subsidy ($/month)	Partial Subsidy Terminates ($/month)
Single parent,		
one child	1 836	2 754
two children	2 142	3 213
Two adults,		
one child	2 142	3 213
two children	2 448	3 672

Source: Social Service Programs Branch, Health and Welfare Canada.

The levels of family income at which subsidies are actually provided to Canadian families are set by the provincial and territorial governments. Currently, no province or territory using an income test has limits as high as these federal guidelines, as will be seen below in the discussion of provincial and territorial measures.

(3) EIC Dependent Care Allowances

Employment and Immigration Canada (EIC) provides training allowances to trainees registered in their institutional training programs. A special allowance is provided to trainees who have children under 11 in need of care while the parent undergoes training. The level of the Dependent Care Allowance was substantially increased in March, 1985. The program now provides a subsidy to the parent of $75 per week for each child under eleven years of age who is (1) attending school but requires four hours or more of care each day, (2) not attending school, or (3) infirm.

A total of $16.9 million was expended on this program in 1984-5 on behalf of 12 377 trainees, 90 per cent of whom were women.[11] Recipients of the allowance include recent immigrants receiving government-sponsored language training as well as trainees enrolled in approved courses at community colleges and vocational schools. While the Dependent Care Allowance forms a very small part of the government's training budget (less than 1%), it is considered an important element of the Department's efforts to improve access to training by women, who continue to be significantly under-represented in government-sponsored training programs.

(4) INAC Contributions to Child Care on Indian Reserves[12]

Outside Ontario, Indian and Northern Affairs Canada funds a small number of child care programs on Indian reserve lands, out of the discretionary part of the social program budget in each region. The Department supports four day care centres in British Columbia (including one at Last Post in northern British Columbia), an unknown but small proportion of the 16 centres in Alberta, one of the four centres in Manitoba and one in Quebec. There are no day care centres on reserve lands in Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island or Newfoundland. When the Department does provide funding, it is usually substantial, often amounting to 80% of operating costs. INAC's total expenditure on child care centres outside of Ontario in 1984-5 was $305 540.

In Ontario, under the 1965 General Welfare Agreement, day care services, social assistance, homemaker services and child welfare services to status Indians on reserves are supplied by the provincial government under a cost-sharing arrangement with the federal government. Indian and Northern Affairs Canada provides a start-up grant equal to 20% of projected costs for the first year to any band wishing to establish a centre. The day care centre is reimbursed by the province for 80% of the operating costs of the centre, and the province is, in turn, reimbursed by INAC for 95% of its expenditure. INAC's total expenditure on day care for the Ontario region amounted to $2.2 million in 1984-5.

In 1984-5, four bands supported the operation of centres with job creation grants sponsored by Employment and Immigration Canada (three in Manitoba and one in Yukon). These grants provided 100% funding in the first year of operation, falling to 60% and 30% in the second and third years. Following expiration of the Canada Services Program grant, the Champagne/Aishihik Band at Haines Junction in the Yukon closed a very successful day care centre in the summer of 1985, its fourth year of operation. The band was unable to identify an alternative source of funding and was not able to generate sufficient revenue through user fees to continue operating.

In most provinces, the centres operating on Indian reserves are neither licensed by the province nor do they receive provincial funding. The Alberta government, however, extends the same operating grants to these centres as to any other centre operating in the province, if they meet provincial standards. Several bands have found that the lack of an adequate building that meets Alberta regulations has barred them from this assistance. In 1984-5, 7 of the 16 day care centres on Indian reserves in Alberta received provincial funding.

While no day care centres, as such, exist on Indian reserves in New Brunswick, the province, under the terms of the Canada-New Brunswick Indian Child Welfare Agreement, does fund two family and child development programs. These centres provide programs for both mother and child, consisting of developmental nursery school experience for the children while parents participate in parenting skills workshops.

Since there are only two occupied reserves in Yukon and none in the Northwest Territories, registered Indians in both territories use mainstream child care services, and are eligible for subsidy on the same basis as any other territorial resident. Expenditures by the territorial governments for subsidized care of Indian children are cost-shared by the federal government under C.A.P.

III PROVINCIAL AND TERRITORIAL GOVERNMENT MEASURES

Provincial and territorial governments have primary responsibility for the development of child care programs in Canada. They are responsible for the development of standards, enforcement of these standards, and the development of child care programs within their jurisdictions. The financial support that provincial and territorial governments provide for child care varies considerably from one jurisdiction to another in design as well as in scope.

Provincial and territorial governments provide financial support for child care through five general types of measures: (1) tax relief, (2) subsidized care for low-income families, (3) operating grants, (4) grants for start-up or repair, and (5) grants for care of special-needs children.

(1) Tax Relief

The contribution of provincial and territorial governments to the value of the Child Care Expense Deduction under the Income Tax Act was described above, together with the specialized tax relief provision offered by the Quebec government under its income tax system to families that incur child care expenses.

(2) Subsidized Care for Low-Income Families

All provinces and territories provide subsidized care for low-income families. Eligibility for subsidized care, the level of subsidy offered, and number of subsidized spaces provided are all established by provincial and territorial governments in accordance with their own priorities. Under the Canada Assistance Plan, the federal government offers to cost-share on a 50-50 basis any level of expenditures initiated by the provincial or territorial government that benefit families in need or likely to become in need. However, because of several design characteristics of C.A.P., not all provinces can cost-share all of their expenditures made on behalf of low-income families within their borders.

The problems that have arisen in the application of the Canada Assistance Plan to child care subsidies are the subject of another report prepared for the Task Force.[13] The main areas of concern appear to be: (1) that provinces using an income test cannot recover federal cost-sharing funds for subsidized care provided in centres operated for a profit, and (2) that provincial grants for start-up of subsidized spaces are not cost-shareable in the year in which these expenditures are incurred. (The federal government will cost-share depreciation on these costs.)

Some provinces pay the full cost of child care for eligible low-income families; most provinces, however, provide assistance up to a fixed monthly rate.

Newfoundland and Prince Edward Island provide subsidies equal to the full cost of child care for eligible low-income families.

The Ontario government permits municipalities to impose a minimum user fee and in 1984 most did so. In Metropolitan Toronto, for example, the lowest income single parents (those with net incomes under $650 per month) were required to pay $22 per month for the care of their children.

The remaining seven provinces and both territories set a ceiling on assistance, and parents pay the balance of the costs. In British Columbia, Saskatchewan and Quebec, parents who qualified for "full" subsidy in 1984 were required to pay between $149 and $189 per month for the care of two children. In Manitoba and Nova Scotia, on the other hand, parents who qualified for "full" subsidy were required to contribute only $20 and $26 per month, respectively, for the care of two children. The maximum subsidy allowed in New Brunswick in 1984 was sufficiently generous that families with children enrolled in centres charging average fees received care free of charge. In Alberta, the ceilings are also generous, but parents are required to contribute a minimum of $45 per month for the care of their children.

Eligibility for subsidized child care is determined by a needs or income test set by each provincial or territorial government. The following Table shows the levels of net family income (i.e., after taxes and mandatory deduction for Unemployment Insurance and C.P.P.) at which families were eligible for full or partial subsidy in the last quarter of 1984.

Table 3

Net Monthly Incomes Determining Eligibility for Subsidized Child Care in 1984

	Single Parent One Child ($)	Single Parent Two Children ($)	Two Parents One Child ($)	Two Parents Two Children ($)
British Columbia	875/1315	1005/1853	1005/1445	1105/1953
Alberta	1130/1461	1250/1821	1330/1651	1430/1991
Saskatchewan*	1640/2560	1740/3580	1640/2560	1740/3580
Manitoba	960/1556	1138/2330	1138/1734	1316/2508
Ontario**	1407/1740	1571/2237	1781/2114	1904/2570
Quebec	925/1633	975/1683	1025/1733	1075/1783
New Brunswick	832/1322	880/1844	920/1410	971/2121
Nova Scotia	980/1407	1040/1467	999/1467	1059/1527
Prince Edward Island	740/1260	960/1480	960/1480	1080/1600
Newfoundland	410/ 950	430/ 970	430/ 970	470/1010
Northwest Territories**	1303/1743	1406/2286	1406/1846	1500/2380
Yukon***	1010/1501	1100/2091	1180/1671	1290/2281

Notes: The lower net income figure is the turning point (below which families are eligible for full subsidy) and the higher figure is the break-even point (the level of family income at which partial subsidy ceases) in each case.

* The turning and break-even points presented for Saskatchewan are gross monthly incomes.

** Ontario and the Northwest Territories use a needs test. For both jurisdictions, we have assumed the family's expenses to be equal to the maximum allowances for a "standard applicant" provided under the tests. In both jurisdictions, families with higher incomes would be eligible for subsidy if they incur unusual expenditures, such as medical expenses.

*** Higher income limits apply to areas of the territory outside the Whitehorse region.

The supply of subsidized child care spaces falls far short of the need. In a report produced for the Task Force on the Canada Assistance Plan, it was estimated that only 19% of eligible children under the age of six (i.e., children whose family income is below the average provincial/ territorial threshold and whose parents are both employed, or whose single parent is employed) could be served by the number of subsidized spaces provided in 1983. Not all subsidized spaces are occupied by children under six years of age and not all by children whose parents are employed. Some are filled by children whom child welfare authorities determine are in need of protection or developmental stimulation.

(3) Operating Grants

Five provinces -- Alberta, Saskatchewan, Manitoba, Quebec and New Brunswick -- provide operating grants to centres, and in some cases, licensed family homes. These grants vary considerably in size, from $3084 annually per infant space in Alberta, to $78 annually per space in New Brunswick. In Manitoba and Quebec, the grants are limited to non-profit centres. Alberta and New Brunswick extend their operating grants to profit as well as to non-profit centres. Saskatchewan provides operating grants only to centres operating in northern regions of the province, but does provide small annual equipment grants to centres ($100/space) as well as to licensed family child care homes ($50/space).

Manitoba and Quebec provide operating subsidies to licensed family home programs as well as to centres; Alberta and New Brunswick reserve operating subsidies for centres alone.

Operating grants comprise a much larger proportion of total provincial child care spending in Alberta (46%) and Manitoba (39%) than in Quebec (14%) and New Brunswick (4%).

Because the operating subsidy makes up part of the cost of providing subsidized care for children from low-income families, the federal government cost-shares operating subsidies for these spaces under C.A.P. Provincial operating subsidies to other spaces are not cost-shared. This results in the federal government contributing only a very small portion of these expenditures. In 1984-5 the federal government contributed an estimated 9.7 million of total spending of $54.5 million on these grants, or 18 per cent.

(4) Grants for Start-Up or Repair

Most provincial governments provide grants of varying sizes for start-up, expansion, repair or purchase of equipment. The exceptions are Alberta, New Brunswick, Prince Edward Island, Yukon and the Northwest Territories. In most cases, these are limited to non-profit licensed centres, but in a few jurisdictons, profit centres as well as licensed family home care facilities may be eligible for such grants. In 1984-5, total spending for start-up or repair grants amounted to $7.6 million in Canada, or just 1.4% of total child care spending.

(5) Programs for Children with Special Needs

In most provinces that have a special-needs child care program, the government provides financial assistance to cover the additional costs associated with the care of the special-needs child. Parents are expected to pay the usual fee for the service, unless the family qualifies for a subsidy based on income. In Prince Edward Island, however, assistance with the cost of special-needs care is provided only to families that qualify for the income-tested subsidy.

Government contributions may cover renovations to the centre, purchase of special equipment, staff training, salaries for specialized staff, and assistance to defray the cost of additional planning and administrative time required to prepare individual development plans for each special-needs child served. In British Columbia, Alberta, Ontario, New Brunswick, Nova Scotia and Prince Edward Island, the level of funding assistance required is negotiated on a case-by-case basis. The provinces of Saskatchewan, Manitoba and Quebec set maximum allowances for each special-needs space.

The federal government will cost-share under C.A.P. only that portion of these expenditures as have benefited children who qualify for subsidized care based on income. Total spending on special-needs child care programs in Canada in 1984-5 amounted to some $23.6 million, or just $50 for each of the estimated 470 000 handicapped or disabled children in the country.[14]

IV CONCLUSIONS

(1) Adequacy of Government Spending

Total government expenditures for child care by the federal, provincial and territorial governments were $542.3 million in 1984-5, on behalf of an estimated 4.7 million children under 13 years of age. This represents a per capita expenditure of $116 -- approximately 3% of the cost of full-day licensed care for a 3-year-old. By province or territory, per capita expenditures ranged from a low of $45 in Newfoundland to a high of $142 in Quebec.

(2) Federal and Provincial/Territorial Contributions

The relative shares of total expenditures borne by the federal and provincial or territorial governments varies considerably from one jurisdiction to another. Federal expenditures on child care in 1984-5 (under C.A.P., the Child Care Expense Deduction, and training allowances), at $216 million,[15] comprised 40% of overall expenditures, but in seven jurisdictions (Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon) the federal share was 50% or more of total expenditures, as the following Table shows.

Table 4

Federal and Provincial/Territorial Child Care Expenditures

1984-85 Expenditures

Province	Total ($ millions)	Per Capita ($)	Federal ($ millions)	Provincial ($ millions)	Federal Share (%)
British Columbia	45.1	88	21.8	23.3	48
Alberta	65.4	134	17.5	47.9	27
Saskatchewan	18.1	86	9.7	8.4	54
Manitoba	25.4	124	10.8	14.6	43
Ontario	188.3	118	88.3	100.0	47
Quebec	168.2	142	49.4	118.8	29
New Brunswick	9.7	67	5.5	4.2	57
Nova Scotia	13.2	80	7.6	5.6	58
Prince Edward Island	1.6	60	1.0	.6	61
Newfoundland	6.1	45	3.7	2.4	60
Northwest Territories	.8	57	.6	.2	72
Yukon	.4	85	.2	.2	54
Totals:	542.3	116	216.1	326.2	40

The federal share of total child care spending is smallest in Alberta (27%) and Quebec (29%). The Alberta government provides substantial operating grants to both profit and non-profit centres. These grants comprised 46% of the province's total spending on child care in 1984-5. The Alberta government also recovers a very small proportion of its subsidies to low-income families under C.A.P., since 70% of child care centres operate for a profit in the province. The Quebec government also offers operating subsidies, and only an estimated 32% of these expenditures were recovered from the federal government under C.A.P. in 1984-5. However, 67% of all spending on child care by the Quebec government is offered in the form of tax assistance under the Quebec income tax system, a situation which is unique to that province.

(3) Impact on Families

In all jurisdictions, subsidies are available to assist at least a limited number of low-income parents to provide child care for their children. Three provinces (Newfoundland, Prince Edward Island and New Brunswick) provided subsidies equal to the full fees charged in centres operating at average prices in 1984-5. The other jurisdictions provided maximum subsidies of between 69 or 70% (for infant care in Saskatchewan and British Columbia) and 93-5% (in Ontario) of centre fees, as the following Table shows.

Table 5

Maximum Annual Subsidies for Care of One Child by Province and Territory (and Percentage of Average User Fees), 1984

	Infant Care ($)	Infant Care (%)	Preschool Care ($)	Preschool Care (%)
British Columbia	3636	70%	2640	77%
Alberta*a	2880	83%	2880	83%
Saskatchewan	2820	69%	2820	77%
Manitoba*b	2860	92%	2860	92%
Ontario*c	4750	95%	3560	93%
Quebec	2600	75%	2600	79%
New Brunswick*d	3380	100%	2860	100%
Nova Scotia*e	3198	90%	3198	90%
Prince Edward Island	2870	100%	2930	100%
Newfoundland	n/a		3450	100%
Northwest Territories	5200	100%	5200	100%
Yukon	3000	83%	3000	71%

Notes: Subsidies applicable to care in a child care centre, unless otherwise specified.

Average user fees are taken from a survey conducted for the Task Force by Rubin Todres Consultants Ltd. in September and October 1984.

*a Alberta regulations require parents to pay $45 per month for the care of their children. This represents 17% of the average fees for infant or preschool centre care for one child in 1984. Thus, the maximum effective subsidy available to families with children enrolled in centres charging average fees was 83%.

*b The government of Manitoba limits the maximum fees that centres receiving provincial operating grants can charge to $12 per day for full-day care. Average user fees were found in the Task Force survey to be somewhat higher: $3510 for infant centre care, $3060 for preschool centre care.

*c Applying the minimum fee of $1 per day applicable in Metropolitan Toronto to employed single parents earning less than $650 net per month.

*d The maximum subsidies allowed in New Brunswick in 1984-5 were 131% of average user fees for infant care and 114% of user fees for preschool care. No minimum contribution is required from parents.

*e While the maximum subsidy is 103% of average fees for infant care determined in the Task Force survey (102% for preschool care), the government of Nova Scotia requires that parents pay the first $1.20 per day for care of each child ($312 per year). This represents 10% of the average fees for centre care of infants and preschoolers. Thus, full subsidies would be limited to 90% of the user fee.

Thus a "full" subsidy provided to the poorest families (those whose incomes fall below the provincial/territorial turning points) is considerably less than the full cost of care in several provinces.

In the five provinces that provide direct operating grants to licensed centres, all parents who use licensed care benefit financially from this measure, to the extent that the grant is passed through to them in the form of reduced fees or program improvements. Program improvements may be achieved by applying the grants to purchase of equipment, program planning, and/or staff salaries. (To the extent that increases in salary rates permit centres to attract better-qualified staff and reduce staff turnover, quality of care will improve.) In Alberta and New Brunswick, which extend such grants to profit as well as non-profit centres, some portion may be absorbed in the form of excess profits.

For the vast majority of Canadian families, the only "system" of financial assistance for child care that exists for their benefit is the Child Care Expense Deduction under the Income Tax Act. Being a deduction, this measure offers the highest return to the highest-income workers.

The deduction was worth nothing at all to a single-parent family earning the minimum wage in 1984, and was worth between $500 and $600 to families with average incomes, or 15% to 17% of an average $3443 annual fee for centre care of a three-year-old.[16] The Child Care Expense Deduction can potentially return $1000 to very high-income families (29% of a $3443 expenditure) -- but only to those few families in which the lower-income spouse earns in excess of $64 600, or in which a single parent earns $67 800 (less than 1% of all families).

It is worth noting, also, that the Child Care Expense Deduction can be claimed only if the parents can produce receipts. Considering the high cost of quality licensed care and the limited value of this single measure of financial assistance available to middle-income families, it is hardly surprising that such a large proportion opts for unlicensed, unsupervised, unregulated care in the grey market. This situation, of course, gives rise to concern about the quality of care available to these families.

The following Tables show the maximum benefit that families can derive from the combined effect of the financing measures described above. Only low-income families that have reached the top of the waiting list for subsidized care will receive this assistance. Also, only middle- and upper-income families that enroll their children in licensed care receive the tax assistance (plus, in some provinces, operating subsidies) specified in the Tables.

In each jurisdiction (other than Newfoundland), single parents with one or two children earning the provincial or territorial minimum wage were eligible for a full child care subsidy. As has already been noted, the government of Newfoundland raised the income limits applicable in that province on September 1, 1985.

Low-income parents who are unable to locate a subsidized space in their neighbourhoods receive no financial assistance whatsoever in eleven of the twelve jurisdictions. Quebec does provide an optional tax credit to assist these families, but at $300 ($25 per month) for the first child, it represents only a small proportion of full-day fees even in the informal sector. In most areas of the country, waiting lists for subsidized care are common; in others subsidized care may not be available. When no financial assistance is forthcoming from government, the likelihood of a low-income parent finding affordable care of adequate quality seems remote.

It was found that couples earning half the average income in 1984 ($21 500) and single parents with average earnings (also $21 500) were eligible for full or partial subsidy in some jurisdictions, but not in others. In two jurisdictions (Saskatchewan and Ontario), some families with incomes at this level were eligible for the maximum subsidy, while the others qualified for substantial partial subsidies. In Nova Scotia, Prince Edward Island and Newfoundland, families with incomes of $21 500 were ineligible for subsidy, whether they had one or two children. In Quebec and British Columbia, these families were ineligible for subsidy if they had one child, but were eligible for partial subsidy if they had two children. In Alberta, single parents with one child were eligible for subsidy, while single parents with two children and couples with one or two children were eligible for a partial subsidy. Single parents and couples were eligible for partial subsidies in Manitoba, Yukon and the Northwest Territories, whether they had one or two children.

Couples with incomes of $21 500 who were ineligible for subsidized care received no financial assistance whatsoever with their child care expenses in four jurisdictions (and only minimal assistance of $78 per year in New Brunswick), since the lower-income spouse in these families had an income below the taxable threshold. This situation applied to couples with one child in British Columbia, and to those with one or two children in Nova Scotia, Prince Edward Island and Newfoundland.

In seven jurisdictions (British Columbia, Ontario, Nova Scotia, Prince Edward Island, Newfoundland, the Yukon and the Northwest Territories), middle- and upper-income families received assistance only in the form of tax assistance. Because the value of the Child Care Expense Deduction rises with income, a couple with a family income of $86 000 derived more benefit for this measure than a couple with an average income of $43 000. In the remaining five jurisdictions (Alberta, Saskatchewan, Manitoba, Quebec and New Brunswick), these families, if their children were enrolled in licensed care, also benefited from the operating grants provided by the provincial governments. In Saskatchewan alone, a couple earning the average income of $43 000 in 1984 was eligible for a partial child care subsidy -- albeit a very small one of $108 per year.

Table 6

Value of Child Care Financing Measures to (and Net Child Care Expenditures by) Families with One Child, 1984

	Single Parent Earning Minimum Wage ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
British Columbia	2640	562	0	548	692
	(810)	(2888)	(3450)	(2902)	(2758)
Alberta	3328	1188	1228	1174	1316
	(540)	(2680)	(2640)	(2694)	(2552)
Saskatchewan	2920	3057	2764	674	824
	(840)	(703)	(996)	(3086)	(2936)
Manitoba	3035	1195	1147	761	915
	(90)	(1930)	(1978)	(2364)	(2210)
Ontario	3220	2489	3090	562	710
	(260)	(991)	(390)	(2918)	(2770)
Quebec	2900	1350	820	1300	1520
	(600)	(2150)	(2680)	(2200)	(1980)
New Brunswick	2578	694	78	678	836
	(0)	(1884)	(2500)	(1900)	(1742)
Nova Scotia	2618	610	0	594	752
	(312)	(2320)	(2930)	(2336)	(2178)
Prince Edward Island	2400	594	0	580	732
	(0)	(1806)	(2400)	(1820)	(1668)
Newfoundland	1884	624	0	608	768
	(1566)	(2826)	(3450)	(2842)	(2682)
Yukon	3000	614	588	552	696
	(300)	(2686)	(2712)	(2748)	(2604)
Northwest Territories	5280	3426	3132	544	686
	(0)	(1854)	(2148)	(4736)	(4594)

Notes: Calculations assume that each family has one three-year-old child enrolled in licensed care, and, if the family is eligible for subsidy, a subsidized space was available.

The figure which appears in brackets represents the family's net expenditure for child care in the year. The unbracketted figure represents the combined value of subsidy, operating grants, and tax relief to the family.

Table 7

Value of Child Care Financing Measures to (and Net Child Care Expenditures by) Families with Two Children, 1984

	Single Parent Earning Minimum Wage ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
British Columbia	5088	2980	1968	1036	1384
	(2102)	(4210)	(5222)	(6154)	(5806)
Alberta	8444	4160	3884	3716	4060
	(700)	(4984)	(5260)	(5428)	(5084)
Saskatchewan	5790	6298	5790	1346	1598
	(1790)	(1282)	(1790)	(6234)	(5982)
Manitoba	6633	5820	5649	2017	2389
	(236)	(1049)	(1220)	(4852)	(4480)
Ontario	6750	6730	6620	1064	1420
	(260)	(280)	(390)	(5946)	(5590)
Quebec	5280	4240	3590	2560	3040
	(1670)	(2710)	(3360)	(4390)	(3910)
New Brunswick	5236	2850	1444	1292	1672
	(0)	(2386)	(3792)	(3944)	(3564)
Nova Scotia	5698	946	0	1128	1504
	(312)	(5064)	(6010)	(4882)	(4506)
Prince Edward Island	4540	1160	0	1100	1464
	(0)	(3380)	(4540)	(3440)	(3076)
Newfoundland	3450	1216	0	1152	1536
	(2930)	(5164)	(6380)	(5228)	(4844)
Yukon	6000	4254	4008	1044	1392
	(600)	(2346)	(2592)	(5556)	(5208)
Northwest Territories	10 560	9363	9084	1028	1372
	(0)	(1197)	(1476)	(9532)	(9188)

Notes: Calculations assume that each family has two children (a three-year-old and an infant 12 months of age) both of whom are enrolled in licensed child care, and, if the family was eligible for a subsidy, a subsidized space was available.

(4) Future Directions for Child Care Financing

One frequently suggested approach to child care financing is that the federal government either remove or greatly increase the limits on Child Care Expense Deduction claims, or convert the deduction to a tax credit of greatly enhanced amount. Simply increasing the limit of the deduction is not recommended because a deduction delivers most benefit to the highest-income claimants and least benefit to the lowest-income families, which are most in need of assistance.

Conversion of the Child Care Expense Deduction to a tax credit would greatly improve the distribution of this benefit. However, the federal government, acting alone, can offer a tax credit only against its own revenues. To ensure that the full $174 million currently expended on the Child Care Expense Deduction remains in the child care sector would require agreement by the provinces to redeploy their $59-million share in the child care system.

Conversion of the deduction to a tax credit would also reveal the low level of benefit actually received by families, unless federal expenditures on this measure were significantly augmented. Because a deduction reduces taxable income rather than tax payable, its value to the taxpayer (in terms of taxes saved) inevitably is much less than the amount of the deduction. It can be worth as little as nothing (to single parents, for example, with incomes below $10 350), or as much as $1000 per child (to taxpayers in the highest-income tax bracket).

Preliminary data from the 1983 tax year reveal that 451 593 taxpayers claimed the CCED in that year on behalf of some 700 000 children.[17] Maintaining its $110 million child care tax expenditure in 1983, the federal government could have offered, instead of a $2000 tax deduction, a tax credit of just $157 per child. At $157, the tax credit would contribute 4% of average licensed child care fees for an infant, 5% of the cost of care for a preschooler, and 7% of costs for a school-aged child.[18] With the agreement of all provinces and territories (other than Quebec) to contribute an amount equal to their tax expenditure for the deduction in that year ($55 million), the tax credit might have been increased to $235 per child. Both calculations assume that the number of claimants remains constant.

For the federal government to provide a tax credit of a substantial amount — say 25% of user fees for licensed care for children in each of the three age groups — would require a federal expenditure in the order of between $600 million and $1.8 billion annually. The total cost would depend upon: (1) the number of parents making a claim; (2) any limitations, such as a requirement for receipts or requirement that the expenses claimed not exceed two-thirds (2/3) of income; and (3) whether the credit is "refundable" or "non-refundable".[19]

A "non-refundable" tax credit simply reduces tax payable. If the claimant's income is so low that no tax is payable (or the amount owing is less than the size of the credit) then s/he cannot benefit from a "non-refundable" tax credit any more than s/he could from a deduction. Therefore, should the government elect to provide substantial financial support for child care by way of the tax system, it would become imperative that the measure be designed so that all families that incur child care expenses could benefit from it. Only a "refundable" tax credit could provide such a result, since, in that case, the full amount would be payable to each family whether or not the parents had taxable income. A refundable tax credit equal to 25% of actual expenditures would cost in the order of $1.5 to $2 billion annually.

A Child Care Tax Credit could take a number of forms. The following examples illustrate three general approaches that might be taken in the design of a tax credit.

(1) A refundable tax credit equal to one-quarter of actual expenditures by the family, with maximum credits of $1500 for infant care, $1200 for preschool care and $750 for school-aged children. The maximum limits would be indexed to the Consumer Price Index to take into account price increases from year to year, and proof of payment would be required.

(2) A refundable tax credit that declines with the family's level of income. For a level of expenditure similar to that in the first example, a tax credit could be offered equal to approximately 30% of expenditures by families with the lowest incomes, declining to perhaps 10% of expenditures by families with incomes in excess of $40 000 to $50 000. Proof of payment would be required.

(3) A refundable tax credit that declines with level of expenditure (a structure similar to the federal political contribution tax credit). For example, a tax credit could be provided equal to 30% of the first $2000 expenditure ($1000 for school-aged children), 20% of the next $3000 ($1500 for school-aged children), and 10% for any expenditures in excess of $5000 for each preschool child ($2500 for children over six). The annual limits would be indexed, and proof of payment would be required.

Further refinements to any of these approaches are virtually limitless. For example, responding to concern regarding the quality of care provided to Canadian children, the credit could be modified (as, indeed, could the deduction) to provide higher limits or rates of return for families using licensed care alternatives and lower ones for those using unlicensed forms of care.

While conversion of the tax deduction to a tax credit would certainly improve both vertical and horizontal equity in the tax system, a credit of sufficient size to contribute significantly to the child care expense bill of parents and to influence parental choices is a costly undertaking. Each of the three examples described would require new federal expenditures in the order of $1.5 to $2 billion annually. The Task Force on Child Care must ask itself whether new expenditures of this magnitude are better spent in providing subsidies to parents or directly funding the service providers. The latter approach is the subject of a separate paper prepared for the Task Force by Karen Stotsky.[20]

NOTES

1 Based on information obtained from the Quantitative Analysis Division, Policy Planning and Information Branch, Health and Welfare Canada. These data are extracted from the 1985 Aged Data Base developed by Health and Welfare from the 1983 Survey of Consumer Finances, and from public use micro-data set for Census Families, under certain income and demographic growth assumptions.

2 Statistics Canada, Initial Results from the 1981 Survey of Child Care Arrangements, Labour Force Survey Research Paper No. 31, (Ottawa: 1982).

3 Health and Welfare Canada, Status of Day Care in Canada 1984, National Day Care Information Centre, Social Service Programs Branch, (Ottawa: 1985), Tables 7 to 10.

4 Source: Tax Policy Branch, Department of Finance Canada.

5 The 1985 Quebec Budget substantially increased the deduction allowed for child care expenses. See the discussion in the Appendix to this report for a description of these changes.

6 Average incomes are derived from the Health and Welfare Canada data base; see footnote 1. Calculations assume that one parent earns .33 of the family income and the other .67. Calculations are for salaried taxpayers in Ontario.

7 Estimated by the author based on a ratio of 1.55 children per claim in the 1982 taxation year, the most recent year for which published data are available. Revenue Canada Taxation, Taxation Statistics 1984 Edition, Analyzing the Returns of Individuals for the 1982 Taxation Year, Table 15. Unpublished tax statistics were obtained from the Tax Policy Branch, Department of Finance Canada.

8 Source: Social Service Programs Branch, Health and Welfare Canada.

9 Health and Welfare Canada, Status of Day Care in Canada 1984, National Day Care Information Centre, Social Service Programs Branch, (Ottawa: 1985), Table 6.

10 In fact, total expenditures for subsidized care for low-income families in Alberta is approximately $28.5 million, being comprised of that portion of the province's budget for operating grants that is attributable to subsidized spaces (estimated by the author as $7.4 million in 1984-5), plus the $21.1 million subsidy budget. Of this total, the provincial government contributed approximately $23.1 million, or 81%, and the federal government $5.4 million (19%).

11 Source: Training Branch, Labour Market Development Division, Employment and Immigration Canada.

12 Information in this section is derived from an unpublished study conducted for the Task Force by Diane Bays, "Day Care Services for Status Indians Residing on Reserves."

13 Monica Townson, Financing Child Care Through the Canada Assistance Plan, A report prepared for the Task Force on Child Care, (Ottawa: 1985), Series 1, Catalogue No. SW43-1/1-1985E.

14 Ten per cent of the total population of children under 13. The Canadian Rehabilitation Council for the Disabled reports that estimates by various authors of the proportion of the general population that suffer from a disabling or handicapping condition ranges from 7 to 14%.

15 Total federal expenditures on child care in Table 4 ($216.1 million) do not precisely match the total presented in Table 1 ($224.4 million) for two reasons. Firstly, because of the specialized nature of INAC contributions to centres on Indian reserves, this program ($2.5 million) has been excluded from the latter part of the analysis. Secondly, the totals presented on page 11 include information obtained from provincial or territorial governments concerning the proportion of their spending in the 1984-5 fiscal year that was cost-shared by the federal government under C.A.P. From this source, the author developed an estimate that the federal government contributed $84.4 million of total provincial/territorial spending on child care subsidies in 1984-5. Health and Welfare Canada estimates that the federal government spent a total of $90 million on child care subsidies under C.A.P., but not all of this amount relates to provincial/territorial expenditures in the current year.

16 Rubin Todres Consultants Ltd., "The Price of Child Care in Canada: A National Survey", A survey conducted for the Task Force on Child Care, 1984. Results from the survey are presented in Chapter 8 of the Report of the Task Force on Child Care.

17 Preliminary data obtained from the Tax Policy Branch, Department of Finance Canada. At time of publication, the number of claims in 1983 was available, but the number of children on whose behalf claims were made was not. The number of children was estimated using a factor of 1.55 (the relationship between number of claims and children in 1982).

18 The survey conducted for the Task Force on Child Care found that, in 1984, the average annual fees for infant centre care in Canada were $4049; $3443 for preschool-aged children; and $2207 for school-aged children. For purposes of these calculations, these average prices were deflated by 4.4 per cent to obtain approximate average prices for 1983 ($3878; $3298; $2114).

19 If the tax credit were non-refundable, the requirement for receipts and the two-thirds-income rule retained, and claims made on behalf of 700 000 children (as in 1983), the total cost of the measure would be $574 million. If the tax credit were refundable and claims were made on behalf of all 1 895 000 children whose parents worked or studied at least 20 hours a week in 1984, the cost to the government would be $1.36 billion. If the tax credit were refundable and claims were made on behalf of all 2 617 000 children with employed mothers in 1984, the cost would be $1.8 billion.

20 Karen Stotsky, An Overview of Some Federal-Provincial Fiscal Arrangements and Proposed Options for Financing a System of Child Care in Canada, A report prepared for the Task Force on Child Care, (Ottawa: 1985), Series 2, Catalogue No. SW43-1/2-1985E.

APPENDIX

Provincial/Territorial Profiles

The system of financial support for child care that exists in each province and territory is described in the following profiles. The major financing measures applicable in each jurisdiction are described, including financial assistance to low-income families, operating grants, start-up and repair grants, and financial assistance for the care of handicapped children. The first Table in each section shows estimated direct expenditures on child care and related tax expenditures.

The narrative describes the nature of child care financing programs in each jurisdiction, including financial assistance to low-income families, and, where applicable, operating subsidies, grants for care of special-needs children, as well as for start-up or repair of centres.

Financial assistance to low-income parents which is eligible for cost-sharing under the Canada Assistance Plan has been apportioned between the provincial and federal governments based on information obtained from provincial and territorial Departments of Social Services and from Health and Welfare Canada. Similarly, the tax expenditure for the Child Care Expense Deduction has been apportioned among the nine provinces and two territories for which the federal government collects taxes by using the distribution of child care expense claims in 1983 (the most recent year for which preliminary taxation statistics are available). This attribution of the tax expenditure among provinces and between the federal and provincial or territorial governments for each jurisdiction is therefore a very rough estimate only.

Impact on Families

Two tables at the end of each provincial/territorial profile show the impact of the combined measures offered in each jurisdiction on typical families with one child (three years of age), and with two children (three years of age, and one year). To illustrate the impact at different levels of family income, five discrete cases are presented in each table:

1. a single parent earning the 1984 minimum wage applicable in that province or territory;

2. a single parent earning the average income for single-parent families with children under 12 in 1984 ($21 500);

3. a two-earner couple earning half the average income for two-earner families with children under 12 in 1984 ($21 500);

4. a two-earner couple earning the average income for two-earner families with children under 12 in 1984 ($43 000); and

5. a two-earner couple with one child, earning twice the average income for two-earner families with children under 12 ($86 000).

All calculations assume that, for two-earner couples, one spouse earns two-thirds (2/3) of the family income and the other spouse one-third (1/3).

Average prices for centre and family home care in each province are derived from a survey conducted for the Task Force by Rubin Todres Consultants Ltd. in September and October, 1984. It is assumed in each case that the parents have enrolled their children in the least expensive licensed care arrangement available in the province, and that no discount is offered for the second child in care. In most provinces, therefore, the three-year-old would have been enrolled in a child care centre and the infant in licensed family home care.

In most provinces and territories (those that do not provide operating subsidies), it has been assumed that the cost of providing the service equals the average user fee as determined in the Task Force survey. In Manitoba, Quebec and Saskatchewan, which provide operating subsidies to non-profit centres and/or licensed family homes, the cost of providing the service would be equal to the user fee plus the value of the operating grant. In Alberta, which provides substantial operating subsidies to profit as well as non-profit centres, it has been assumed that one-half the value of the operating subsidy is absorbed in the form of excess profits, and one-half contributes directly to the cost of providing the care. The operating grants provided in New Brunswick are of such small size that they are assumed to be passed through in full to consumers.

BRITISH COLUMBIA

Estimated Child Care Expenditures, 1984-85

Government of British Columbia

		(millions)
- Financial assistance to low-income families		10.8
- Grants to child care centres and day care support projects		.5
- Grants for special-needs children		4.9*
- Tax expenditure (Child Care Expense Deduction)		7.1**
	Total:	23.3

Federal Government

- Tax Expenditure (Child Care Expense Deduction)		10.7**
- C.A.P. - subsidies to low-income families		8.2
- special-needs subsidies		1.6*
- Training allowances		1.3
	Total:	21.8
	Combined Expenditures:	45.1

Provincial Share: 52%
Federal Share: 48%
Per Capita Expenditure: $88

Sources: Ministry of Human Resources, Government of British Columbia; Department of Finance Canada; Health and Welfare Canada; Employment and Immigration Canada.

Notes: * An estimate based on information from the Ministry of Human Resources, Government of British Columbia, that in previous years, approximately one-half of special-needs expenditures were cost-shareable.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

In 1984 the province of British Columbia provided the following maximum child care grants to low-income families:

	Per Month
full-day centre care (18 months - 3 years)	$303
full-day centre care (3-5 years)	220
full-day family home care (0-3 years)	204
full-day family home care (3-5 years)	176
care for children attending kindergarten	165
care for school-aged children (up to 12 years)	110
care in own home - 1st child	176
- 2nd child	88
- family total	352
nursery school (maximum)	66

Coupons in these amounts are issued to parents approved under the program for a maximum period of six months; parents may redeem these at any approved child care facility. Families must re-apply every six months. Parents who are eligible for the maximum subsidy must make up the difference between the amount of the subsidy and the total fee charged. A survey conducted for the Task Force found that average prices in September, 1984 for licensed centre care in British Columbia were $5220 per year for infants (under two) and $3450 for preschoolers ($3740 and $3610 for licensed family home care).

Subsidies in excess of these limits may be approved by the Regional Manager only in circumstances where a child has been placed in a day care because s/he is considered to be at risk in the home environment, and the day care is part of a plan of protection services provided to the child.

Single parents who are employed, studying, undertaking medical treatment or actively looking for work may qualify for subsidized child care. Two-parent families in which both parents are students or unemployed do not qualify for subsidized child care in British Columbia; one parent must be employed full-time for the family to qualify. It is estimated that care for approximately 12 000 children was subsidized in British Columbia under this program in 1983-4.

Eligibility for financial assistance is based on after-tax income and family size. That is, the family's total income after deductions for income tax, CPP and Unemployment Insurance contributions, company pension plan and union dues. The following Table shows the turning points for these subsidies for different family types:

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in British Columbia

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	875	1 315*
2 children	1 005	1 853**
2 parents, 1 child	1 005	1 445*
2 children	1 105	1 953**

Notes: Family income levels in the table are those applying to families in which both parents (or the sole parent) were employed, in November 1984.

* assumes one three-year-old in centre care.

** assumes one infant in family home care and one three-year-old in centre care.

The turning points are higher for families that have one or more disabled family members. An allowance of $125 per month is added for each disabled person in the family unit.

In addition to paying the difference between the subsidy amount and the full price charged by the child care facility, families whose incomes exceed the initial turning point are expected to contribute half of any income above that level to reduce the amount of the subsidy, until, at the family income levels (after taxes) indicated in the second column, they become ineligible for assistance.

The province of British Columbia also provides grants to non-profit day care centres and nursery schools for purposes of start-up, expansion, relocation or repairs. From 1981, when the program was initiated, to January 1985, 227 grants were extended for a total of $1 212 683 affecting more than 6000 spaces (average grant per space: $202).

The province provided a budget of $6.5 million in 1984-5 for care of special-needs children. This included specialized day care services for children up to 12 years of age with physical, mental, emotional or communication handicaps, who require more attention than the regular day care programs can provide. The purpose of the program is to facilitate the integration of children with special needs into day care programs by the province picking up the special equipment, staff salaries and program planning costs associated with providing care for such children.

The province's contribution is confined to the extra costs associated with care of special-needs children. Parents are expected to pay the regular day care centre fee, unless they qualify for subsidy under the terms set out above. Approximately half of the special-needs expenditures are cost-shareable by the federal government under C.A.P.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

British Columbia: 1984 Taxation Year

	Single Parent $7 592 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Subsidized care	2 640	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	562	0	548	692
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit	2 640	562	0	548	692
Family's net expenditure:	810	2 888	3 450	2 902	2 758
Cost of providing care:	3 450	3 450	3 450	3 450	3 450

Notes: The 1984 average annual fee for preschool centre care in British Columbia was found in the Task Force survey to be $3450.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

British Columbia: 1984 Taxation Year

	Single Parent $7 592 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Subsidized care	5 088	1 884	1 968	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	1 096	0	1 036	1 384
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	5 088	2 980	1 968	1 036	1 384
Family's net expenditure:	2 102	4 210	5 222	6 154	5 806
Cost of providing care:	7 190	7 190	7 190	7 190	7 190

Notes: Average annual fees for care of an infant in a licensed family home in British Columbia were $3740 in the Task Force survey, and $3450 for licensed centre care for a three-year-old.

ALBERTA

Estimated Child Care Expenditures, 1984-85

Government of Alberta

		(millions)
- Financial assistance to low-income families		17.1
- Operating subsidies to child care centres		21.8
- Care for handicapped children		2.2*
- Tax expenditure (Child Care Expense Deduction)		6.8**
	Total:	47.9

Federal Government

- Tax expenditure (Child Care Expense Deduction)		10.2**
- C.A.P. - day care spaces		4.0***
- operating allowances/subsidies		1.4***
- Training allowances		1.9
	Total:	17.5
	Combined Expenditures:	65.4

Provincial Share: 73%
Federal Share: 27%
Per Capita Expenditure: $134

Sources: Social Services Department, Government of Alberta; Department of Finance Canada.

Notes: * Some part of these subsidies also qualifies for cost-sharing under C.A.P.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

*** Apportionment of these expenditures between the federal and provincial governments is based on information obtained from the Government of Alberta.

The province of Alberta provided to low-income families child care subsidies of up to $240 per child per month in 1984. Parents are required to make up any difference between this amount and the total fee charged. Provincial regulations require that parents contribute at least $45 per month for their children's care. Subsidies are available only for licensed care, which may be in a profit or non-profit centre, or in "approved satellite family day homes", (i.e., supervised licensed family day care homes). This program benefited 10 000 children under six years of age in 1984.

Eligibility for financial assistance is based on after-tax monthly income and family size. After-tax income is the family's total income after deductions for income tax, CPP and Unemployment Insurance premiums. A single parent with one child receives the maximum subsidy at a net income level of up to $1130 per month. As income rises above this level, the parent must contribute 30% of the first $123 of monthly net income; 60% of the next $123; and 100% thereafter. The following Table shows the turning points applicable in 1984 for child care subsidies for different family types:

After-Tax Income Determining
Eligibility for Subsidized Child Care in Alberta

November 1984

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	1 130	1 461
2 children	1 250	1 821
2 parents, 1 child	1 330	1 651
2 children	1 430	1 991

The province of Alberta also provides operating grants to all licensed centres, whether profit or non-profit, but not to licensed family homes. In 1984 this program offered the following grants for each child occupying a space for at least 84 hours a month.

Age	Monthly Grant ($)
0 - 18 months	257.00
19 - 35 months	131.00
3 - 4 years	78.50
5 years	65.00

The purpose of this program is to reduce the cost of centre care in Alberta for all parents. Whether or not the program has succeeded in reducing user fees for parents cannot be confirmed with certainty. However, a survey of market prices for child care conducted for the Task Force found that average prices for centre care in Alberta, Manitoba and Quebec were lower than those In British Columbia, Saskatchewan and Ontario, provinces which do not provide operating subsidies. The Task Force survey found that, in September 1984, the average annual fees for licensed centre care in Alberta were $3240 for a child two to five; and $3220 for an infant ($3350 and $3590 for licensed family home care).

The operating subsidy is provided in addition to the subsidies for low-income families. Thus, the total subsidy available in Alberta can be as high as $497 per month, depending on the child's age.

The province of Alberta also provides funds to day care operators to assist them in delivering specialized programs for children with physical, mental, sensory or communication handicaps, developmental delay or diagnosed hyperactivity. Programs receive quarterly grants, in advance, for special-needs workers based on a 1:4 staff ratio. Approximately 294 full-time spaces are currently funded, but this represents a greater number of children because of part-time use. Low-income families with special-needs children may also be assisted with day care fees and costs of transportation.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Alberta: 1984 Taxation Year

	Single Parent $7 904 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 700	0	600	0	0
Centre operating grants*	628	628	628	628	628
Child Care Expense Deduction	0	560	0	546	688
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	3 328	1 188	1 228	1 174	1 316
Family's net expenditure:	540	2 680	2 640	2 694	2 552
Cost of providing care:	3 868	3 868	3 868	3 868	3 868

Notes: Calculations assume that the child was three years of age, receiving care in a licensed centre operating for a profit, and the annual fee for the service was $3240.

* When an operating subsidy is paid to a profit-making centre, the full value may be passed through to parents in the form of lower prices or improved service (including higher salaries for staff and the owner/director, since these are associated with lower rates of staff turnover, a factor in the quality of care). To the extent that operating subsidies are absorbed in the form of excess profits to the owner/director or a parent company, families do not benefit. Here it is assumed that two-thirds of the value of the operating allowance is passed through to families in the form of reduced fees and improved program quality, and one-third is absorbed as profits. The cost of providing the service was therefore approximately $3868 per space annually.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Alberta: 1984 Taxation Year

	Single Parent $7 904 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 760	384	1 200	0	0
Centre operating grants*	2 684	2 684	2 684	2 684	2 684
Child Care Expense Deduction	0	1 092	0	1 032	1 376
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	8 444	4 160	3 884	3 716	4 060
Family's net expenditure:	700	4 984	5 260	5 428	5 084
Cost of providing care:	9 144	9 144	9 144	9 144	9 144

Notes: Calculations assume both children were in licensed care in centres operating for a profit. The Task Force survey found that annual fees for infant centre care were $3220 in 1984, and $3240 for preschool-aged children.

* Calculations assume that two-thirds of the value of the operating allowance is passed through to parents in the form of reduced fees and/or program improvements. Cost of providing the service was therefore $9144 (fees of $6460 plus two-thirds operating subsidies, i.e., $2684).

SASKATCHEWAN

Estimated Child Care Expenditures, 1984-5

Government of Saskatchewan		(millions)
- Financial assistance to low-income families		5.05
- Grants to day care centres		.95*
- Tax expenditure (Child Care Expense Deduction)		2.42
	Total:	8.42

Federal Government		
- Tax expenditure (Child Care Expense Deduction)		3.68**
- C.A.P. - day care spaces		5.05***
- Training allowances		1.00
	Total:	9.73
	Combined Expenditures:	18.15

Provincial Share: 46%
Federal Share: 54%
Per Capita Expenditure: $86

Source: Social Services Department, Government of Saskatchewan; Department of Finance Canada; Employment and Immigration Canada.

Notes: * Includes start-up and equipment grants to centres and licensed family homes as well as equipment and operating grants for care of special-needs children. A portion of these grants is eligible for cost-sharing under C.A.P.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

*** Apportionment between the federal and provincial governments is based on information obtained from the Government of Saskatchewan.

In 1984 the province of Saskatchewan provided to low-income families a maximum child care subsidy of $235 per child per month. The subsidy was available only for licensed care in a centre or supervised home. The province requires that parents contribute at least 10% of the cost of the care provided.

Families with monthly "adjusted family incomes" of $1540 or less were eligible for the maximum subsidy in 1984. A 25% tax-back rate applies to income in excess of this turning point. Adjusted family income is calculated by deducting from gross family income $100 for each dependent child. The following Table illustrates the levels of gross family income at which subsidies were available in Saskatchewan in 1984. An estimated 3800 children from 3300 families benefitted from this program in 1983-4.

Gross Family Income Determining
Eligibility for Subsidized Child Care in Saskatchewan

November 1984

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	1 640	2 560
2 children	1 740	3 580
2 parents, 1 child	1 640	2 560
2 children	1 740	3 580

The province of Saskatchewan provides start-up grants of $600 per space for centres and $200 per home for family home care, as well as annual grants for equipment of $100 per space for centres and $50 per space for family day care homes. Grants are available only to non-profit centres.

An operating grant of $20 per month is provided for each space in northern regions of the province.

Additional grants are provided to cover the additional costs of care for special-needs children: $200-per-month operating grant for each handicapped or special needs child; $50-per-month equipment grant for each handicapped or special-needs child.

Value of Child Care Measures to (and Net Child
Care Expenditures by) Families With One Child

Saskatchewan: 1984 Taxation Year

	Single Parent $8 840 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 820	2 664	2 664	0	0
Centre operating grants*	100	100	100	100	100
Child Care Expense Deduction	0	293	0	574	724
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	2 920	3 057	2 764	674	824
Family's net expenditure:	840	703	996	3 086	2 936
Cost of providing care:	3 760	3 760	3 760	3 760	3 760

Notes: Calculations assume that the child was three years of age, receiving care in a licensed centre, and the annual fee for the service was $3660.

* Annual equipment grants.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Saskatchewan: 1984 Taxation Year

	Single Parent $8 840 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 640	5 640	5 640	108	0
Centre operating grants*	150	150	150	150	150
Child Care Expense Deduction	0	508	0	1 088	1 448
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	5 790	6 298	5 790	1 346	1 598
Family's net expenditure:	1 790	1 282	1 790	6 234	5 982
Cost of providing care:	7 580	7 580	7 580	7 580	7 580

Notes: Calculations assume both children were in licensed care, with one three-year-old in licensed centre care and a one-year-old infant in licensed family home care. Average annual fees for this care in Saskatchewan in 1984 were $3770 for the infant and $3660 for the preschooler.

* Annual equipment grants.

MANITOBA

Estimated Child Care Expenditures, 1984-5

Government of Manitoba

		(millions)
- Financial assistance to low-income families		4.9
- Operating grants to day care centres		5.7*
- Start-up renovation grants		.4
- Care of handicapped		.4
- Tax expenditure (Child Care Expense Deduction)		3.2**
	Total:	14.6

Federal Government

- Tax expenditure (Child Care Expense Deduction)		4.8**
- C.A.P. - day care subsidies		4.3***
- operating grants		.5***
- start-up renovation grants		.2***
- handicapped programs		.3***
- Training allowances		.7
	Total:	10.8
	Combined Expenditures:	25.4

Provincial Share: 57%
Federal Share: 43%
Per Capita Expenditure: $124.

Sources: Department of Community Services and Corrections, Government of Manitoba; Department of Finance Canada; Employment and Immigration Canada.

Notes: * Includes maintenance grants, infant grants and audit grants.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

*** Apportionment of these items between the federal and provincial governments is based on information obtained from the Government of Manitoba.

The maximum fees that can be charged for child care in Manitoba are set by regulations for those licensed centres and licensed day care homes that receive provincial operating subsidies. In 1984 they were $12 per day for full-day preschool care; $6 per day for half-day programs; and $6.85 per day for noon-hour and after-school care. These will increase on September 8th, 1985 by 2%, to $12.25, $6.10 and $7.00.

In 1984, the Manitoba government provided to non-profit centres annual maintenance grants of $922 per space ($345 per space to group day care homes and $175 per space to licensed family day care homes); an additional infant care grant of $1651 per infant space in centres ($559 per infant space in licensed family homes and group day care homes); audit grants of $980 per centre ($694 for group day care homes, centres providing part-time care and nursery schools). In 1985, approximately 80 per cent of full-time licensed centre spaces in the province received these grants, together with 86 per cent of licensed family home and school-aged spaces, and 40 per cent of part-time nursery school spaces.

The province of Manitoba also provides one-time start-up grants to centres and licensed homes. The amounts of these grants in the fall of 1984 were $286 per full-time space in licensed centres; $233 per space in nursery schools and school-aged child care centres; and $175 per space in group day care homes and licensed family day care homes. In 1984-5, grants were extended to day care centres and licensed family homes to assist with renovations needed to meet the new day care regulations. Grants of up to $3000 per centre were provided for upgrading to meet fire regulations, and up to $3000 per centre for required physical upgrading. Licensed family homes were allowed $75 for installation of fire detectors.

Financial assistance for eligible low-income parents is available only for care in a non-profit licensed centre or a licensed family day care home. In 1984 maximum subsidies were $11 per day for full-day preschool care, $5.50 per day for half-day programs, and $6.35 per day for noon-hour and after-school care. Eligibility is based on after-tax income and family size. The following Table illustrates the level of family income at which subsidized care was provided in Manitoba in 1984. The tax-back rates on income between the two turning points are 25% on the first half and 50% on the second half.

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Manitoba

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	960	1 556
2 children	1 138	2 330
2 parents, 1 child	1 138	1 734
2 children	1 316	2 508

Additional grants are provided to day care facilities caring for physically or mentally handicapped children as follows: per diem subsidy ($9 per day for full-day care); $1590 per month staffing grant per child; $1500 per year per child staff training grant; as well as higher start-up grants.

In October 1984, the government of Manitoba announced that $1.1 million would be provided through the Manitoba Jobs Fund to assist child care centres to hire replacement staff while their regular child care workers undergo four-to-eight week training courses, to upgrade their qualifications. Workers will receive their full salary and benefits during training. The government estimates that 500 child care workers will receive training under this program in 1984-5 and 1985-6.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Manitoba: 1984 Taxation Year

	Single Parent $8 320 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 860	420	972	0	0
Centre operating grants*	175	175	175	175	175
Child Care Expense Deduction	0	600	0	586	740
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	3 035	1 195	1 147	761	915
Family's net expenditure:	90	1 930	1 978	2 364	2 210
Cost of providing care:	3 125	3 125	3 125	3 125	3 125

Notes: Calculations assume that the child was three years of age, receiving care in a licensed family home, and the annual fee for the service was $2950.

* Here it is assumed that the full value of these grants is passed on to parents in the form of reduced fees, improved quality of programs resulting from purchase of equipment, improved nutrition, and reduced staff turnover due to higher staff salaries. Therefore, the cost of providing the service is $3125 (fees of $2950 and operating grant of $175).

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Manitoba: 1984 Taxation Year

	Single Parent $8 320 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 724	4 476	4 740	0	0
Centre operating grants*	909	909	909	909	909
Child Care Expense Deduction	0	435	0	1 108	1 480
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	6 633	5 820	5 649	2 017	2 389
Family's net expenditure:	236	1 049	1 220	4 852	4 480
Cost of providing care:	6 869	6 869	6 869	6 869	6 869

Notes: Calculations assume both children are in licensed family home care, with annual fees of $3010 for the infant and $2950 for the preschooler.

* Here it is assumed that the full value of these grants was passed on to parents in the form of reduced fees, improved quality of programs resulting from purchase of equipment, improved nutrition, and reduced staff turnover due to higher staff salaries. Therefore, the cost of providing the service is $6869 (fees of $5960 plus operating grants of $909).

ONTARIO

Estimated Child Care Expenditures, 1984-5

Government of Ontario

		(millions)
- Financial assistance to low-income families	- municipal share	18.6*
	- provincial share	38.8*
- Handicapped capital and operating grants		11.0**
- Start-up, expansion, repair grants		.7
- Tax expenditure (Child Care Expense Deduction)		30.9***
	Total:	100.0

Federal Government

- Tax expenditure (Child Care Expense Deduction)		46.4***
- C.A.P. - day care subsidies		35.4*
- operating grants for handicapped children		2.3**
- Training allowances		4.2
	Total:	88.3
	Combined Expenditures:	188.3

Provincial/Municipal Share: 53%
Federal Share: 47%
Per Capita Expenditure: $118.

Sources: Ministry of Community and Social Services, Government of Ontario; Department of Finance Canada; Health and Welfare Canada; Employment and Immigration Canada.

Notes: * This item includes total estimated operating expenditures, not all of which are cost-shareable by the federal government. Of the total $92.8 million operating budget in 1984-5, the federal government contributed approximately 35.4 million (38%), the municipalities 20%, and the provincial government 42%. The total includes approximately $2 million in special day care initiatives, most of which are not cost-shareable, as well as financial assistance to low-income families.

** An estimate based on information provided by the Government of Ontario.

*** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

In Ontario, municipalities are required to administer the child care subsidy program and to contribute 20% of the cost. Thus, in Ontario, subsidies to low-income families are cost-shared by three levels of government: municipalities contribute 20%, the province contributes 30%, and the federal government contributes 50%.

The Task Force survey found that in 1981 average annual fees in Ontario were $5010 for licensed infant centre care; $3820 for preschool centre care; $3530 and $3480 for licensed family home care for infants and preschoolers respectively.

Eligibility for subsidy is based on a needs test. Municipalities are given considerable latitude in the application of provincial guidelines; however, applying the maximum allowances permitted under the 1983 guidelines, and assuming no unusual expenditures and an average child care cost of $318 per month for preschool centre care and $294 for licensed family home care for an infant, (based on Task Force survey averages), in 1984, families were eligible for subsidized care in Ontario at the following levels of after-tax income:

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Ontario

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	1407	1740
2 children	1571	2237
2 parents, 1 child	1781	2114
2 children	1904	2570

Notes: Based on a composite of the tests applying in Metro Toronto, Ottawa, Hamilton and Peel County, which comprise 60% of the Ontario subsidies budget, in December 1984.

In 1974 regulations were amended to permit Ontario municipalities to impose a minimum user fee on eligible low-income families. By 1984 most Ontario municipalities charged a minimum fee, although the amounts varied considerably. Typical minimum fees in 1984 were: $20 per family per month in Ottawa-Carleton (waived for families with gross incomes under $13 000); $1.50 per day in Metropolitan Toronto; and $3.00 per day in Peel County. In Metropolitan Toronto, the minimum fee was waived for families receiving any form of public assistance, was reduced to $1.00 for single parent families with less than $650 net earnings and could be reduced or waived on appeal in cases of special hardship. In September 1984, 26 000 children from low-income families received subsidized care under this program in Ontario.

The Ontario government provides financial support to a range of programs for handicapped children, including both segregated and integrated programs. Access to these programs is not based on a needs test, but rather on the needs of the child. In September 1984, 2020 handicapped children in Ontario were enrolled in specialized or integrated child care programs.

The Ontario government does not provide operating grants to centres, but does provide grants to non-profit centres for start-up or expansion, for special projects funds for public education, for the development of informal (i.e., unlicensed) care, and for staff training.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Ontario: 1984 Taxation Year

	Single Parent $7 280 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	3 220	2 086	3 090	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	403	0	562	710
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	3 220	2 489	3 090	562	710
Family's net expenditure:	260	991	390	2 918	2 770
Cost of providing care:	3 480	3 480	3 480	3 480	3 480

Notes: Calculations assume that the child was three years of age, receiving care in a licensed family home, and the annual fee for the service was $3480. Minimum user fees applicable in Metropolitan Toronto have been applied.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Ontario: 1984 Taxation Year

	Single Parent $7 280 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	6 750	6 620	6 620	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	110	0	1 064	1 420
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	6 750	6 730	6 620	1 064	1 420
Family's net expenditure:	260	280	390	5 946	5 590
Cost of providing care:	7 010	7 010	7 010	7 010	7 010

Notes: Calculations assume both children are in licensed family home care in Metropolitan Toronto (annual fees: $3480 for the preschooler and $3530 for the infant).

QUEBEC

Estimated Child Care Expenditures, 1984-5

Government of Quebec	(millions)
- Financial assistance to low-income families	17.0
- Operating grants to centres and home care agencies	16.6
- Start-up renovation grants	4.9
- Handicapped children's program	.3
- Tax expenditure - (Child Care Expense Deduction)	23.2*
- (Availability Allowance)	56.8**
Total:	118.8
Federal Government	
- Tax expenditure (Child Care Expense Deduction)	26.1***
- C.A.P. - day care spaces	10.1
- operating allowances	7.8
- Training allowances	5.4
Total:	49.4
Combined Expenditures:	168.2

Provincial Share: 71%
Federal Share: 29%
Per Capita Expenditure: $142.

Sources: Office of Child Care Services, Government of Quebec; Department of Finance Canada; Employment and Immigration Canada.

Notes: * Estimates provided by the Quebec Department of Finance.

** The Quebec Finance Department estimates the tax expenditure for the Availability Allowance in 1984 at $132 million. Some 388 000 tax filers claimed the allowance in 1984, 93% of the estimated 417 000 Quebec women with children under six in that year (Statistics Canada Labour Force Survey). Of this number, 178 000 (43%) were employed and 239 000 (57%) unemployed or not in the labour force. Thus, 43% of the total tax expenditure has been attributed to employed mothers, since the optional Availability Allowance is an integral part of Quebec government spending for child care.

*** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

The Quebec government provides subsidies to low-income parents up to a maximum of $10 per day for full-day care in a centre, or $8 per day for full-day family home care. The province requires that the parents contribute the first $1 per day for the care of their children and that parents make up

the difference between the subsidized rate and the full fee charged. The Quebec Office of Child Care Services reports that, in 1984, rates for full-day care ranged from $6 to $18 per day. The survey conducted for the Task Force in September 1984 found average annual fees for centre care in Quebec to be $3450 for infants under two ($13.26 per day), and $3300 ($12.69 per day) for children two-to-five years old ($2930 and $2980 for licensed family home care).

Eligibility for assistance is based on net income as defined for tax purposes, plus the child tax credit. A single-parent family with one child receives the maximum subsidy at annual net income levels of $11 100 and below. For every $500 of income above this turning point, the family must contribute an additional 50¢ per day toward the cost of care for each child, until all subsidy ceases at $19 600 net income for a single-parent, one-child family. The turning points for various family compositions are outlined in the following Table:

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Quebec

December 1984

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	925	1 633
2 children	975	1 683
2 parents, 1 child	1 025	1 733
2 children	1 075	1 783

The number of children assisted in Quebec under this program was approximately 13 000 in 1983-4.

The Quebec government provided operating grants in 1984 of $3.50 per space per day ($75.78 per month) to non-profit centres that have parent-controlled boards, and to cooperatives. Spaces in family day care homes received operating grants of $2 per day ($43.30 per month). For infant care, an additional annual operating grant of $1500 per space in infant centres is provided. The government of Quebec also provides on-going accommodation grants: 50% of accommodation costs including heating, up to $8000 annually.

Start-up and expansion grants of $1000 per approved space are available to non-profit centres, as are relocation grants and renovation grants of $500 per space for older centres.

The province of Quebec provides special grants for facilities for handicapped or special-needs children, including full per diem subsidies to facilitate integration of special-needs children into a centre ($3000 per annum in centres, $2000 for licensed family homes), special equipment grants ($1500 per child), and grants to cover alterations to the facility (maximum $5000).

Unlike the other provincial and territorial governments, the Quebec government has established a separate income tax collection system for its residents. Quebec residents, therefore, file two income tax returns. On the federal return, they may claim the $2000 Child Care Expense Deduction (maximum $8000 per family) under the same conditions as would any other Canadian taxpayer. On the provincial tax return, Quebecers with child care expenses for children under 14 may claim a deduction of $2000 per child, up to a maximum of $6000 per family. Receipts are required, the lower-income spouse must claim the deduction, and the amount claimed cannot exceed two-thirds of that spouse's net income. The Quebec government estimates that its tax expenditure for this measure in 1984-5 was $23.2 million.

Also, all Quebec families are entitled to claim an Availability Allowance, which is a refundable tax credit of $300 for the first child under six years of age, $200 for the second child under six, and $100 for the third, and subsequent, children. The Availability Allowance must be claimed by the person in the family who receives the Quebec family allowance cheque (usually the mother), who need not have taxable income or earnings from employment to collect the benefit. Proof of child care expenditures is not required. Employed single parents and two-earner couples with children under six have the option of claiming the Quebec Child Care Expense Deduction or the Availability Allowance. It is more advantageous for them to take the tax credit if (1) the claimant's income is very low, or (2) they do not have the required receipts. This measure cost the Quebec government $132 million in 1984-5, more than three times the province's direct expenditures on child care. Of this amount, an estimated $56.8 million was paid to families with child care expenses, and $75.2 million to families in which one parent is at home.

Starting in the 1986 taxation year, the Quebec government will allow families that incur child care expenses to claim a deduction of $3510 per child under 6, and $1755 per child aged 6 to 11. These limits will be indexed, rising to $3640 and $1820 in 1987, and to $3770 and $1885 in 1988. The family's child care expense claim may not exceed 40% of the net employment income of the spouse with the lower income in the case of one child, 80% for two children, and 100% for three children or more. The Quebec government will also allow the higher-income spouse to claim the deduction. The choice between the availability allowance and the deduction for child care expenses will be maintained.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Quebec: 1984 Taxation Year

	Single Parent $8 320 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 080	0	0	0	0
Centre operating grants*	520	520	520	520	520
Federal CCED	0	390	0	380	480
Quebec CCED	0	440	0	400	520
Provincial tax credit	300	0	300	0	0
Combined net benefit:	2 900	1 350	820	1 300	1 520
Family's net expenditure:	600	2 150	2 680	2 200	1 980
Cost of providing care:	3 500	3 500	3 500	3 500	3 500

Note: Calculations assume that the child was three years of age, receiving care in a licensed family home, and the annual fee for the service was $2980.

* Here it is assumed that the full value of the operating allowance was passed through to parents in the form of reduced fees and/or program improvements. The cost of providing the service is therefore $3500 (fees of $2980 and operating subsidy of $520).

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Quebec: 1984 Taxation Year

	Single Parent $8 320 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	3 640	1 560	1 950	0	0
Centre operating grants*	1 040	1 040	1 040	1 040	1 040
Federal CCED	0	760	0	720	960
Quebec CCED	0	880	0	800	1 040
Provincial tax credit	600	0	600	0	0
Combined net benefit:	5 280	4 240	3 590	2 560	3 040
Family's net expenditure:	1 670	2 710	3 360	4 390	3 910
Cost of providing care:	6 950	6 950	6 950	6 950	6 950

Note: Calculations assume that both children were receiving care in a licensed family home and the annual fee for the service was $2980 for the preschooler and $2930 for the infant.

* Here it is assumed that the full value of the operating allowance was passed through to parents in the form of reduced fees and improved quality of programs. The cost of providing the service would therefore be $6950 (fees plus operating grants).

NEW BRUNSWICK

Estimated Child Care Expenditures, 1984-5

Government of New Brunswick

		(millions)
- Financial assistance to low-income families		.56
- Operating grants		.15*
- Special needs grants		.18*
- Administration		.12
- Other		.03
- Tax expenditure (Child Care Expense Deduction)		3.13**
	Total:	4.17

Federal Government

- Tax expenditure (Child Care Expense Deduction)		4.72**
- C.A.P. - day care subsidies		.18
- Training allowances		.60
	Total:	5.50
	Combined Expenditures:	9.67

Provincial Share: 43%
Federal Share: 57%
Per Capita Expenditure: $67.

Sources: Ministry of Social Services, Government of New Brunswick; Department of Finance Canada; Health and Welfare Canada; Employment and Immigration Canada.

Notes: * A portion of these expenditures was also cost-shared through C.A.P.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which tax statistics are available.

The province of New Brunswick provided a maximum subsidy of $11 per day for care of children from 2 to 13, and $13 per day for children under 2. Parents make up any difference between the subsidized rate and the actual fee charged. The survey conducted for the Task Force found that the annual fees for centre care in New Brunswick were $2500 for a preschooler and $2580 for an infant. There are no licensed family homes in New Brunswick; in 1984, community day care homes were just beginning to be approved by the province.

Subsidized care is provided only in approved facilities, which may include day care centres, community day care homes, or registered private homes. In 1984, 733 children received care under this program.

Eligibility for subsidy is based on after-tax income and family size. A single-parent family with one child is eligible for the maximum subsidy at an income level of $830 per month or less. A 50% tax-back rate applies to income above this level. The following Table illustrates the levels of family income at which subsidized care was available in New Brunswick in December, 1984.

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in New Brunswick

	Maximum Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	832	1 322*
2 children	880	1 844**
2 parents, 1 child	920	1 410*
2 children	971	2 121**

Notes: * These income levels apply to families with a child over two years of age. Families with a child under two were eligible for partial subsidy up to net family incomes of $1412 (for single parents with one child), or $1500 (for two-parent families with one child) in 1984.

** These income levels apply to families with one child over two and one under two. If both children were over two, the applicable income levels would be $1500 for single parents, and $1941 for two-parent families.

The government of New Brunswick, in 1984-5, provided two types of grants to day care centres: a flat-rate grant of 30¢ per day for each child in attendance, and an equipment grant of $1500 per year for each licensed centre. Both profit and non-profit centres receive the grants.

Centres that integrate children with special needs receive funding to cover the extra costs associated with specialized care. The grants provided vary, depending on individual circumstances, and may include funds for training of staff, additional staff, and/or specialized equipment. In addition to integration of children with physical or mental handicaps into child care centres, five head start programs operate in the province to serve socially disadvantaged children.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

New Brunswick: 1984 Taxation Year

	Single Parent $7 904 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 500	0	0	0	0
Centre operating grants*	78	78	78	78	78
Child Care Expense Deduction	0	616	0	600	758
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	2 578	694	78	678	836
Family's net expenditure:	0	1 884	2 500	1 900	1 742
Cost of providing care:	2 578	2 578	2 578	2 578	2 578

Notes: Calculations assume that the child was three years of age, receiving care in a licensed centre, and the annual fee for the service was $2500.

* Here it is assumed that half the full value of the flat-rate grant of 30¢ per day was passed on to parents in the form of reduced fees and/or program improvements. The cost of providing the service was therefore $2578.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

New Brunswick: 1984 Taxation Year

	Single Parent $7 904 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 080	1 672	1 288	0	0
Centre operating grants*	156	156	156	156	156
Child Care Expense Deduction	0	1 022	0	1 136	1 516
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	5 236	2 850	1 444	1 292	1 672
Family's net expenditure:	0	2 386	3 792	3 944	3 564
Cost of providing care:	5 236	5 236	5 236	5 236	5 236

Notes: Calculations assume both children were in licensed centre care, with annual fees for the infant of $2580, and for the preschooler of $2500.

* Here it is assumed that half the full value of the flat-rate grant of 30¢ per day was passed on to parents in the form of reduced fees and/or program improvements. The cost of providing the service is therefore $5236.

NOVA SCOTIA

Estimated Child Care Expenditures, 1984-5

Government of Nova Scotia

		(millions)
- Financial assistance to low-income families		2.2
- Subsidies for special-needs children		.3*
- Start-up and incentive grants to centres		.2*
- Tax expenditure (Child Care Expense Deduction)		2.9**
	Total:	5.6

Federal Government

- Tax expenditure (Child Care Expense Deduction)		4.4**
- C.A.P. - day care subsidies, special needs subsidies and incentive grants		2.4
- Training allowances		.8
	Total:	7.6
	Combined Expenditures:	13.2

Provincial Share: 42%
Federal Share: 58%
Per Capita Expenditure: $80.

Sources: Department of Social Services, Government of Nova Scotia; Department of Finance Canada; Health and Welfare Canada; Employment and Immigration Canada.

Notes: * A portion of these expenditures is also cost-shared through C.A.P.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

The government of Nova Scotia provided maximum subsidies of $12.30 per day for children of low-income families receiving care in 1984 in licensed centres. Parents are required to pay at least $1.20 per day per family for the care of their children. The Task Force survey found that the average annual fees in 1984 for licensed centre care in Nova Scotia were $3110 for infants and $3140 for preschoolers ($3080 and $2930 for licensed family home care).

Eligibility for subsidized care is based on family size and annual after-tax income, adjusted by the following factors:

1. a deduction of $1000 for employed single parents.
2. a deduction of $1000 if one earner in the family.
3. a deduction of $1500 if two earners in the family.
4. a deduction of $1500 for a handicapped child.

The following Table shows the levels of after-tax family income (unadjusted) at which subsidized care was made available in Nova Scotia in 1984. A tax-back rate of 50% applies to income between the turning point and the break-even point. More than 1700 children received subsidized child care in the province in 1984-5.

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Nova Scotia

December 1984

		Maximum Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent,*	1 child	980	1 407
	2 children	1 040	1 467
2 parents,**	1 child	999	1 467
	2 children	1 059	1 527

Notes: * employed single parent

** two earners

The government of Nova Scotia provides start-up grants of $100 per subsidized space to non-profit centres that are managed by community boards of directors. The province also provides annual equipment grants of $100 for each subsidized space in a licensed centre or a supervised family home care program. In addition, the province pays an annual incentive grant of up to $1500 per centre to centres that keep their operating costs below a base rate determined by regulation. In November and December 1984, this base rate was $12.30 per day. Centres whose operating costs exceed the base rate, and that have raised funds through voluntary donations or other means, are entitled to receive a fund-raising grant equal to 50% of the amount raised, up to a maximum of $1500 per centre. All of the above grants apply only to non-profit centres with community boards of directors in which a number of spaces are reserved for children from low-income families.

The government of Nova Scotia also provides financial assistance to cover the additional costs associated with providing care for handicapped children in both segregated and integrated programs. Parents are expected to pay the base rate of $12.30 per day, unless the family qualifies for a subsidy based on income, and the province contributes the rest (up to $17 per diem in 1984). This program benefited 77 handicapped children in the province in 1984-5.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Nova Scotia: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 618	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	610	0	594	752
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	2 618	610	0	594	752
Family's net expenditure:	312	2 320	2 930	2 336	2 178
Cost of providing care:	2 930	2 930	2 930	2 930	2 930

Notes: Calculations assume that the child was three years of age, receiving care in a licensed family home, and the annual fee for the service was $2930.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Nova Scotia: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 698	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	946	0	1 128	1 504
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	5 698	946	0	1 128	1 504
Family's net expenditure:	312	5 064	6 010	4 882	4 506
Cost of providing care:	6 010	6 010	6 010	6 010	6 010

Notes: Calculations assume that both children received licensed family home care and that the annual fee for the service was $2930 for the preschooler and $3080 for the infant.

PRINCE EDWARD ISLAND

Estimated Child Care Expenditures, 1984-5

Government of Prince Edward Island	(thousands)
- Financial assistance to low-income families	263*
- Tax expenditure (Child Care Expense Deduction)	354**
Total:	617

Federal Government	
- Tax expenditure (Child Care Expense Deduction)	575**
- C.A.P. - child care subsidies	263
- Training allowances	116
Total:	954
Combined Expenditures:	1 571

Provincial Share: 39%
Federal Share: 61%
Per Capita Expenditure: $60.

Sources: Department of Health and Social Services, Government of Prince Edward Island; Department of Finance Canada; Employment and Immigration Canada.

Notes: * Includes subsidies for special-needs children.

** An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

The province of Prince Edward Island will subsidize eligible children enrolled in either privately operated or community-sponsored licensed child care programs. Eligibility is based on the following criteria:

1. children in child protection situations;
2. children with developmental problems (speech, motion control, etc.);
3. children of single parents who are attempting to re-enter the labour market;
4. children who are economically, socially and/or culturally deprived;
5. children who are physically or mentally handicapped (special-needs children).

The province does not set a maximum subsidy, but will pay the per diem rate as established by each centre. Provincial officials report that per diem rates ranged from $10 to $13 in 1984, with the average being $12 for full-day programs. Rates were higher for infants (under two years) and ranged

from $12 to $16 per day. The Task Force survey found that average annual fees for centre care in Prince Edward Island were $2930 for preschoolers ($11.27 per diem) and $2870 for infants ($11.04 per diem). Average annual fees for licensed family home care were lower: $2400 for preschoolers and $2140 for infants.

The province of Prince Edward Island provides care for special-needs children using the same income test as applies for other subsidized care. The province will pay the full cost of care for special-needs children. Costs that exceed two times the average per diem rate must be approved by the regional director. This program provided approximately 300 subsidized spaces in 1984, including 10 to 15 special-needs children.

Eligibility for subsidized care is based on after-tax income and family size. A single parent with one child and an after-tax income of $740 per month or less was eligible in 1984 for the maximum subsidy. Parents are required to contribute 50% of earnings above this turning point and partial subsidy ceases at $1260 net income for a parent with one child. The following Table shows the levels of after-tax income at which subsidized care was provided in Prince Edward Island in 1984:

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Prince Edward Island

	Maximum Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child*	740	1 260
2 children**	960	1 480
2 parents, 1 child	960	1 480
2 children	1 080	1 600

Notes: * assumes one three-year-old in centre-based care at $12 per day.

** assumes one three-year-old at $12 per day and one infant at $15 per day.

The province does not provide operating or start-up grants to day care centres or family child care homes.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Prince Edward Island: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	2 400	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	594	0	580	732
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	2 400	594	0	580	732
Family's net expenditure:	0	1 806	2 400	1 820	1 668
Cost of providing care:	2 400	2 400	2 400	2 400	2 400

Notes: Calculations assume that the child was three years of age, receiving care in a licensed family home, and the annual fee for the service was $2400.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Prince Edward Island: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	4 540	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	1 160	0	1 100	1 464
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	4 540	1 160	0	1 100	1 464
Family's net expenditure:	0	3 380	4 540	3 440	3 076
Cost of providing care:	4 540	4 540	4 540	4 540	4 540

Notes: Calculations assume both children were in licensed family home care, and the annual fees for the service were $2400 for the preschooler and $2140 for the infant.

NEWFOUNDLAND

Estimated Child Care Expenditures, 1984-5

Government of Newfoundland

		(thousands)
- Financial assistance to low-income families		436
- Grants to day care centres		8**
- Training		23
- Tax expenditure (Child Care Expense Deduction)		1 947*
	Total:	2 414

Federal Government

- Tax expenditure (Child Care Expense Deduction)		2 875*
- C.A.P. - child care subsidies		134
- Training allowances		638
	Total:	3 647
	Combined Expenditures:	6 061

Provincial Share: 40%
Federal Share: 60%
Per Capita Expenditure: $45.

Sources: Department of Social Services, Government of Newfoundland; Department of Finance Canada; Health and Welfare Canada; Employment and Immigration Canada.

Notes: * An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

** A small portion of these expenditures was also eligible for cost-sharing under C.A.P.

The province of Newfoundland provides fully subsidized child care for eligible low-income families in the province. Subsidized care is provided in both profit and non-profit centres. In 1984, 360 children between two and five years of age received subsidized care in Newfoundland. Child care subsidies are not provided for children under the age of two years because licensed centres are not permitted to take infants, and the province has no provision for licensed family home care. However, families that are eligible for general welfare assistance may receive some assistance with child care expenses incurred for an infant under two years of age. School-aged children are eligible for child care subsidies, but only two after-school programs have been licensed in the province.

Eligibility for subsidized care is based on after-tax family income and family size. A single parent with one child qualified for the maximum child care subsidy in 1984 at an after-tax income below $410 per month. The first $20 of income above this amount was subject to a 25% tax-back rate, and

thereafter, to a 50% rate, providing a declining subsidy up to an income of $950 per month. The following Table illustrates the monthly incomes at which parents were eligible for child care subsidies in Newfoundland in 1984:

After-Tax Family Incomes Determining
Eligibility for Subsidized Child Care in Newfoundland

	Full Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child	410	950
2 children	430	970
2 parents, 1 child	430	970
2 children	470	1 010

The province also provides start-up grants of $500 per centre at the time that they are licensed. These grants are made available to both profit and non-profit centres. Training workshops for licensed child care workers are provided under an agreement between the Newfoundland government and the Early Childhood Development Association.

The province provides a special child welfare allowance, which is paid to eligible families to defray the extra costs associated with providing child care for children with special needs. The allowance is income-tested, but the test is more generous than the day care income test.

The province made substantial changes to several aspects of day care financing in 1985. Beginning on September 1, 1985, the turning and break-even points for child care subsidies were $747 and $1247 for a single parent with one child, $777 and $1287 for a single parent with two children, $807 and $1317 for a couple with one child, $837 and $1347 for a couple with two children. A tax-back rate of 50% will apply to income between the two turning points. Start-up grants have doubled in 1985-6, to $1000 per centre, as has the budget for training.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Newfoundland: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	1 884	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	624	0	608	768
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	1 884	624	0	608	768
Family's net expenditure:	1 566	2 826	3 450	2 842	2 682
Cost of providing care:	3 450	3 450	3 450	3 450	3 450

Notes: Calculations assume that the child was three years of age, receiving care in a licensed centre, and the annual fee for the service was $3450.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Newfoundland: 1984 Taxation Year

	Single Parent $7 800 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	3 450	0	0	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	1 216	0	1 152	1 536
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	3 450	1 216	0	1 152	1 536
Family's net expenditure:	2 930	5 164	6 380	5 228	4 844
Cost of providing care:	6 380	6 380	6 380	6 380	6 380

Notes: Calculations assume both children are in licensed care, with one three-year-old in licensed centre care and a one-year-old infant in licensed family home care. Annual fees for the services are assumed to be $3450 for the preschooler and $2930 for the infant.

YUKON

Estimated Child Care Expenditures, 1984-5

Government of Yukon		(thousands)
- Financial assistance to low-income families		108
- Tax Expenditure (Child Care Expense Deduction)		88*
	Total:	196
Federal Government		
- Tax expenditure (Child Care Expense Deduction)		131*
- C.A.P. - day care subsidies		27
- Training allowances		71
	Total:	229
	Combined Expenditures:	425

Territorial Share: 46%
Federal Share: 54%
Per Capita Expenditure: $85.

Sources: Yukon Department of Health and Human Resources; Department of Finance Canada.

Notes: * An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which preliminary tax statistics are available.

The Yukon government provided maximum subsidies of $250 per month for children of low-income parents who were receiving licensed care in 1984. The Yukon Department of Health and Human Resources reports that the average fee for full-day care in a licensed centre in March 1985 was $300 per month for three-to-five year-olds, and $350 per month for infants or toddlers. The average fee for licensed family home care was $275 per month for full-day care.

The territory uses an income test. Eligibility for subsidy is based on after-tax income, family size and place of residence. Yukon families qualified for subsidized child care at the following after-tax monthly incomes in 1984:

NORTHWEST TERRITORIES

Estimated Child Care Expenditures, 1984-5

Government of Northwest Territories

		(thousands)
- Financial assistance to low-income families		50
- Tax expenditure (Child Care Expense Deduction)		175
	Total:	225

Federal Government

- Tax expenditure (Child Care Expense Deduction)		262
- C.A.P. - child care subsidies		50
- Training allowances		260
	Total:	572
	Combined Expenditures:	797

Territorial Share: 28%
Federal Share: 72%
Per Capita Expenditure: $57.

Sources: Northwest Territories Department of Social Services; Department of Finance Canada.

Notes: * An estimate based on the distribution of CCED claims by taxpayers in each province and territory in 1983, the most recent year for which tax statistics are available.

The Northwest Territories government provides to low-income families a maximum child care subsidy of $20 per child per day for care in a child care centre or supervised home, and $12 per day for unsupervised family home care. Northwest Territory officials report that the maximum subsidy rate reflects actual fees charged in Yellowknife. Prices vary considerably from one community to another in the Northwest Territories. The Task Force was advised by residents of Frobisher Bay, in September 1984, that the "going rate" for unlicensed family home care in that community was $85 to $100 per week ($4420 to $5200 per annum).

Eligibility for subsidy is based on a needs test, taking into account after-tax income, family size, expenses such as housing costs and child care fees. The territory applies the same needs test for child care subsidies as is uses for applications for social assistance. The following Table gives monthly family income levels (after deduction of taxes, UI and CPP contributions) at which parents were eligible for subsidized care in Yellowknife in 1984.

After-Tax Family Incomes Determining Eligibility for Subsidized Child Care in the Northwest Territories

	Maximum Subsidy ($/month)	Partial Subsidy Ends ($/month)
1 parent, 1 child*	1 303	1 743
2 children**	1 406	2 286
2 parents, 1 child*	1 406	1 846
2 children**	1 500	2 380

Notes: These examples use a housing cost of $800 per month, and child care cost of $440 per month.

* Assumes one three-year-old child receiving care in a child care centre.

** Assumes one three-year-old in centre care, and a one-year-old infant in family home care.

The government of the Northwest Territories does not provide start-up or operating grants to child care centres, nor has it developed a program to provide child care for handicapped children.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Northwest Territories: 1984 Taxation Year

	Single Parent $8 840 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	5 280	2 868	3 132	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	558	0	544	686
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	5 280	3 426	3 132	544	686
Family's net expenditure:	0	1 854	2 148	4 736	4 594
Cost of providing care:	5 280	5 280	5 280	5 280	5 280

Notes: * Calculations assume that the child was three years of age, receiving care in a licensed centre, and the cost of providing the care was $5280 for the year.

After-Tax Family Incomes Determining Eligibility for Subsidized Child Care in Yukon

	Maximum Subsidy ($/month)		Partial Subsidy Ends ($/month)	
	Area		Area	
	One	Two	One	Two
1 parent, 1 child	1 010	1 060	1 501	1 551
2 children	1 100	1 170	2 091	2 161
2 parents, 1 child	1 180	1 240	1 671	1 731
2 children	1 290	1 380	2 281	2 371

Notes: Area 1 - Whitehorse region (including Carcross, Teslin, Carmacks, Haines Junction and surrounding areas); Area 2 is the rest of the territory.

A tax-back rate of 50% applies to all income above the thresholds for maximum subsidy. Subsidized care was provided for 61 children 0-5 years of age in the Yukon as of March 31st, 1984, 82% of whom were from single-parent families.

The Yukon Government does not provide start-up or operating grants to child care centres, and has not developed a child care program for children with special needs.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With One Child

Yukon: 1984 Taxation Year

	Single Parent $7 488 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	3 000	48	588	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	566	0	552	696
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	3 000	614	588	552	696
Family's net expenditure:	300	2 686	2 712	2 748	2 604
Cost of providing care:	3 300	3 300	3 300	3 300	3 300

Notes: Calculations assume that the child was three years of age, receiving care in a licensed family home, the annual fee for the service was $3300, and the family was living in the Whitehorse region.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Yukon: 1984 Taxation Year

	Single Parent $7 488 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	6 000	3 360	4 008	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	894	0	1 044	1 392
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	6 000	4 254	4 008	1 044	1 392
Family's net expenditure:	600	2 346	2 592	5 556	5 208
Cost of providing care:	6 600	6 600	6 600	6 600	6 600

Notes: Calculations assume both children were in licensed family home care, and the annual fee for the service was $6600 for the two children.

Value of Child Care Measures to (and Net Child Care Expenditures by) Families With Two Children

Northwest Territories: 1984 Taxation Year

	Single Parent $8 840 Income ($)	Single Parent $21 500 Income ($)	Couple $21 500 Income ($)	Couple $43 000 Income ($)	Couple $86 000 Income ($)
Low-income subsidized care	10 560	8 916	9 084	0	0
Centre operating grants	n/a	n/a	n/a	n/a	n/a
Child Care Expense Deduction	0	447	0	1 028	1 372
Provincial tax credits	n/a	n/a	n/a	n/a	n/a
Combined net benefit:	10 560	9 363	9 084	1 028	1 372
Family's net expenditure:	0	1 197	1 476	9 532	9 188
Cost of providing care:	10 560	10 560	10 560	10 560	10 560

Notes: Calculations assume one three-year-old and a one-year-old infant in a child care centre or supervised family home care, and the annual fees for these services were $5280 for each child.

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